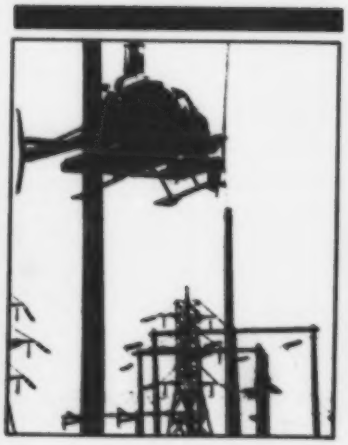
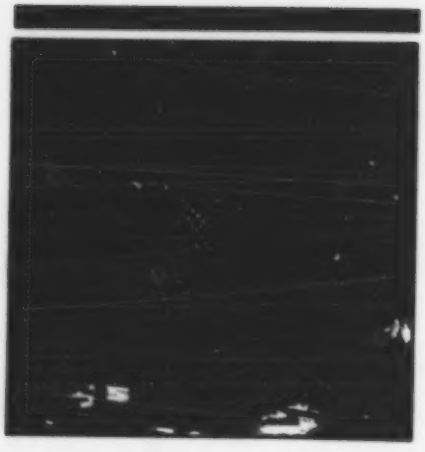
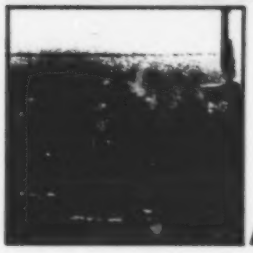
1985

Saskatchewan Power Corporation

Annual Report







A.

B.

C.

Photos by:
A. Ray Buggera
B. Donavon Nelson
C. Ed Montay

Cover

The front cover photographs were taken by SaskPower employees for the annual photo contest and were selected as winners in the "Power" category.

Photograph A, a town border station near Regina, was taken by Ray Buggera, draftsperson II, Regina.

Photograph B, a demonstration of barehand liveline maintenance, was taken by Donavon Nelson, journeyman lineman, North Battleford.

Photograph C, turbine number two at the Queen Elizabeth Power Station while dismantled for repair, was taken by Ed Montay, operating engineer, Saskatoon.

SASKATCHEWAN POWER CORPORATION
2025 Victoria Avenue
Regina, Saskatchewan
S4P 0S1

Corporate Highlights

- In 1985, 389 farms were served with underground cable as part of the extensive Rural Underground Distribution program to replace single-wire overhead electrical lines. Over a period of 15 to 20 years, the 108 000 km overhead system will be replaced with new underground cable as deterioration or overloading of the lines occurs.
- To the end of 1985, some 21 000 km of pipe was installed to provide natural gas service to more than 17 000 customers as part of the Saskatchewan Natural Gas Distribution Program.
- The corporation purchased approximately $369 million worth of goods and services from Saskatchewan manufacturers and suppliers in 1985 under the Buy Saskatchewan program.
- SaskPower completed its second successful issue of Saskatchewan Power Corporation Savings Bonds in July.
- Saskatchewan gas sources provided 51.4 per cent of the province's gas requirements during the year.
- Electricity delivered to customers increased to 10.2 million megawatt hours, a three per cent increase over 1984. The annual system net peak demand reached 2 100 megawatts on November 25, 1985.
- One unit, with 84 MW capacity, was placed in commercial operation in mid-December at the Nipawin Hydroelectric Project.
- Natural gas delivered to customers reached 3.1 million cubic metres in 1985, a 1.7 per cent increase over 1984. The largest volume of natural gas used in a single day was 19.1 million cubic metres on January 30, 1985.
- A satellite communication system was installed to supplement the capacity of the power line carrier communication system.

Financial Highlights

	1985	1984
	($ millions)	
Revenue	$837	$785
Income from Operations	1	3
Cash from Operations Before Debt Servicing and Capital Expenditures	303	154
Capital Expenditures	303	307

Letter of Transmittal

Regina
March, 1986

To His Honour
F.W. Johnson
Lieutenant Governor
of the Province of Saskatchewan

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ending December 31, 1985 including the financial statements for the year duly audited by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with The Power Corporation Act.

I have the honour to be, Sir,
Your obedient servant,

Eric A. Berntson,
Minister-in-Charge
Saskatchewan Power Corporation

Corporate Profile

The Saskatchewan Power Corporation (SaskPower) provides electricity and natural gas to the residents of Saskatchewan. It generates and delivers electricity to more than 390 000 customers and supplies natural gas to 263 000 customers.

The corporation was established by Order-in-Council in 1949 and formalized as a Crown Corporation by an Act of the Legislature passed in 1950. It replaced the Saskatchewan Power Commission, established in 1929 to develop an integrated provincial electrical system.

The Board of Directors, appointed by Order-in-Council, determines policy and objectives.

Letter from the Chairman and President

Although a small net income of $1 million was earned in 1985, the most serious issue facing the Saskatchewan Power Corporation is its present financial condition.

While the natural gas utility continues to show positive earnings, the electrical utility remains in a substantial loss position. The losses are largely the result of the capital intensive nature of the electrical utility coupled with high interest rates and the continuing high value of the U.S. dollar relative to the Canadian dollar. The completion of the Nipawin Hydroelectric Project in early 1986 will add some $58 million to the interest and depreciation expense of the electrical utility in 1986 compared to 1985.

"With sales of more than $90 million, Series II was a resounding success and confirmed the desire of Saskatchewan citizens to invest in their province."

To offset this increased expense and other anticipated increases in operating costs a significant electricity rate increase is necessary. The corporation, therefore, made an application to the Public Utilities Review Commission on January 20, 1986, for an increase of 7.5 per cent across the board to all customer classes effective March 1. This is the first phase in a recovery program which is expected to result in a break even position for the electrical utility by 1988. To achieve this, rate increases of a similar magnitude will be required in both 1987 and 1988.

The Public Utilities Review Commission approved an average 7.5 per cent electrical rate increase on an interim basis effective March 1, 1986. In addition, after reviewing natural gas rates, the commission ordered the corporation to rebate $4.3 million dollars to all gas customers relative to 1985 consumption. However, gas rates for 1986 were not changed from those in effect in 1985.

The capital structure as measured by the debt to equity ratio remains unsatisfactory. The ratio has deteriorated to 87:13 in 1985 from 76:24 in 1980. To reduce this trend, capital expenditures have been postponed or eliminated wherever feasible. In addition, all operating, maintenance and administrative costs are held to the minimum wherever possible without jeopardizing the quality of customer service.

In 1985, more than one-half of the natural gas used in Saskatchewan was produced in the province. This has increased from 33.9 per cent in 1982. It is planned to obtain two-thirds of Saskatchewan's natural gas consumption from local sources by 1988 and to increase this to 100 per cent in the long run.

Natural gas service was extended to 4 200 new rural customers and 1 331 new urban customers under the Saskatchewan Natural Gas Distribution Program during 1985. The program has continued to be very popular because of the economy of this clean and abundant fuel.

Donald Stankov

In 1985, the corporation installed its first communication system using a satellite to provide data transmission and other communication needs between the system control centre and outlying portions of the electrical and natural gas systems. The equipment was designed and manufactured by a high technology Saskatchewan company.

During the last two years the corporation has developed a 14 000 volt underground electric distribution system to replace the single wire overhead system. Replacement will occur as overloading or physical deterioration makes this necessary. Pilot projects in 1984 and 1985 demonstrated that the design is technically feasible and economically competitive with conventional overhead construction. The new system will eliminate much inconvenience associated with farming around power poles. It will also improve safety on the farm and increase the reliability of the electrical supply.

In 1985, for the second year, the Saskatchewan public responded overwhelmingly to an issue of Saskatchewan Power Corporation Savings Bonds.

With sales of more than $90 million, Series II was a resounding success and confirmed the desire of Saskatchewan citizens to invest in their province.

The amount of electricity required by the corporation's customers has continued to increase. Consumption grew by 8.4 per cent in 1984 over 1983 and there was a further increase of three per cent in 1985.

E. Bruce Campbell

To meet expected future growth, additional base load generating capability will be needed by 1991. Extensive economic and air quality control studies concluded that a site at Shand, near Estevan, was the best location for a new power plant. An announcement of this decision was made on February 12, 1986.

At the same time, it was announced that agreement in principle had been reached with U.S. authorities for their participation in the funding for construction of the Rafferty and Alameda Dams. These two dams will constitute a multi-purpose water management project which will have irrigation, flood control, recreation, and industrial benefits.

The role of SaskPower will be to oversee the design and construction of the dams and related facilities on behalf of the newly formed Souris Basin Development Authority. A water supply sufficient to cool the first 300 MW unit at the new plant will be made available from the Rafferty Reservoir. In return, the corporation will contribute to the cost of constructing the dams.

In addition to new base load generation, it is expected that up to 400 MW of peaking capability will be required over the next several years. This will be provided either by the installation of peaking gas turbine units or by purchasing electricity from neighboring utilities.

On December 18, 1985, a one year extension of the agreement with the International Brotherhood of Electrical Workers, Local Union 2067, was signed. This was the first time that SaskPower had signed a new collective bargaining agreement prior to expiry of the previous one. The employees affected received a three per cent wage increase on January 1, 1986.

"In 1985, more than one-half of the natural gas used in Saskatchewan was produced in the province."

The present three-year agreement with the Energy and Chemical Workers Union, Local 649, expires on January 31, 1987. Effective February 1, 1986, employees covered by this agreement received a $1 000 lump sum payment with no change to hourly rates.

SaskPower employees have an enviable safety record. The latest available data shows that the 1985 accident frequency rate for staff of the natural gas utility was the lowest of all gas distribution utilities in Canada. The electrical utility staff achieved the second lowest accident frequency rate in 1985 of all the major Canadian electrical utilities.

The knowledge and experience of employees encompass a wide range of technical and professional skills which are essential to the efficient and reliable operation of the two utilities. The success of the corporation in meeting its mandate to provide high quality electricity and natural gas service to the people of Saskatchewan is largely due to the dedication and hard work of SaskPower employees.

We acknowledge with thanks the contribution of all employees and express our appreciation to the Board of Directors for their encouragement and guidance in 1985.

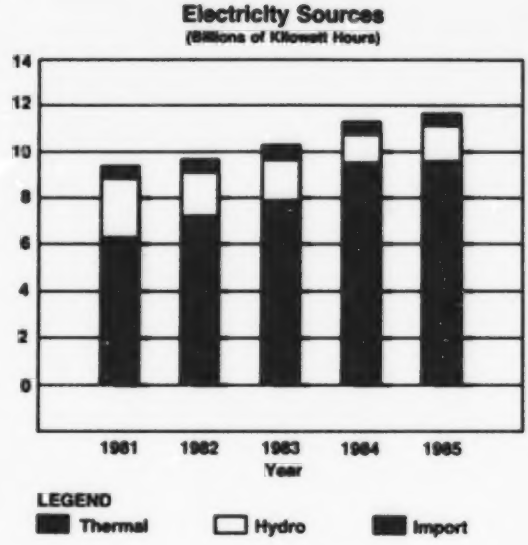
Donald Stankov, CA,
Chairman of the Board.

E. Bruce Campbell, P.Eng.,
President.

Operations

"The past year saw the culmination of many significant developments such as the commercial operation of one unit at the Nipawin Hydroelectric Project, the attainment of more than half of natural gas supplies from Saskatchewan sources, and the implementation of advanced technological methods to improve the control of energy systems."

Bob Lawrence, Senior Vice-President, Operations



Electric Operations

The annual system net peak demand reached 2 100 MW* (megawatts) on November 25, 1985, just above the previous record peak of 2 095 MW on December 18, 1984.

Thermal generating stations produced 81.1 per cent of the total electrical energy supply. Hydro generating stations supplied 16.4 per cent. The corporation imported 2.5 per cent from utilities in Manitoba and North Dakota.

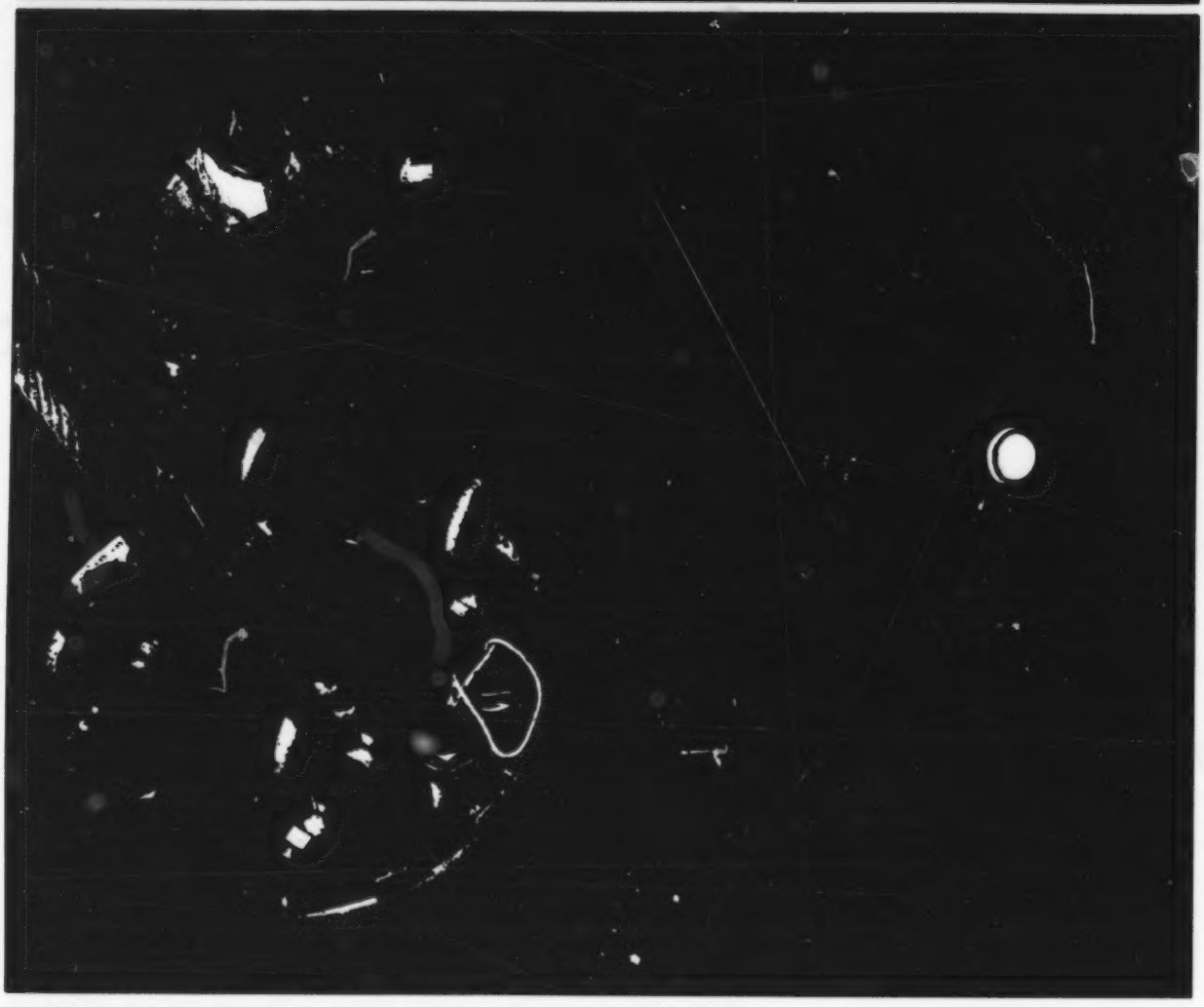
At the Boundary Dam Power Station, the Estevan Generating Station and the Poplar River Power Station, the burning of 8.2 million megagrams** of Saskatchewan lignite coal produced 78.6 per cent of the electricity needed in 1985.

As a result of low water flows at hydroelectric stations, energy available to the system from these sources, including that from the Nipawin station, was 70 per cent of what would be generated in a median water flow year. Replacing this shortfall with thermally generated electricity increased the corporation's fuel costs by $4.3 million.

* one megawatt is equivalent to one thousand kilowatts.

** one megagram or tonne is equal to 2 205 pounds

Nipawin Hydroelectric Project



Installing the first turbine at the Nipawin Hydroelectric Project.

Work on the 252 MW Nipawin Hydroelectric Project was nearly completed by the end of the year.

One of the three generating units was placed in operation in mid-December. The second unit was operating under test conditions at year end. The third unit is expected to be in service in the spring of 1986.

During 1985, the project created approximately 4 000 person months of on-site employment. More than 80 per cent of the employees were Saskatchewan residents. Salaries alone injected an estimated $27 million into the Saskatchewan economy.

The project continues to provide a market for Saskatchewan goods and services. In 1985, Saskatchewan companies provided materials, equipment and services with an estimated value of $38 million.

Foundation conditions at the Nipawin site presented the design consultants with some difficult and unusual problems. These problems were solved by a number of innovative techniques including the construction of a three-metre diameter, 1400-m long drainage tunnel under the major structures, a complex anchoring system for the spillway, and a unique provision to allow differential movement between the main components of the dam.

Emile Bear, utility person 3, oils governor controls on generating unit at Island Falls Hydroelectric Station.

Island Falls Hydroelectric Station

In September, 1985, SaskPower took over operation of the Island Falls Hydroelectric Station from Hudson Bay Mining and Smelting Company which had operated the station under contract with SaskPower since 1981. The station had been in service since 1930 and was previously owned by Churchill River Power Company.

As a result of the change, 29 employees who worked at the station became SaskPower employees. Sixteen are residents of the nearby community of Sandy Bay. The remaining staff are located at Nipawin.

Communications Networks

Fibre Optics

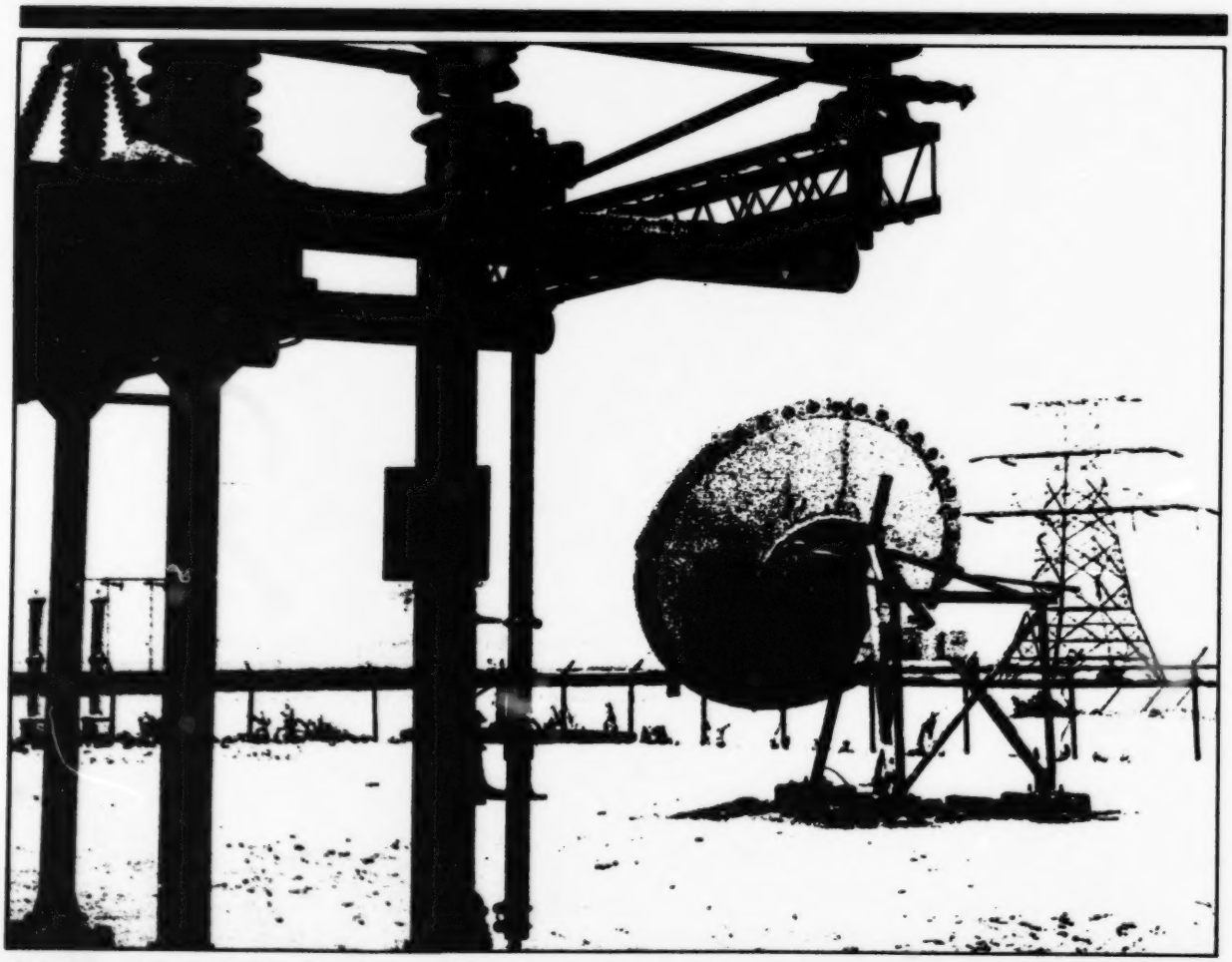
This year, SaskPower installed a fibre optic communications link at the Nipawin Hydroelectric Project. The six kilometres of cable carries voice, control and protection signals between the Codette Switching Station and the new hydroelectric station. This is a more cost-effective and reliable alternative to using the traditional power line carrier communication system.

Satellite Communication

In 1985, the corporation installed a satellite system, designed and manufactured in Saskatoon, to supplement the capacity of the power line carrier communication system.

The satellite system, called "Skyswitch," uses the Canadian Anik C2 satellite. Earth stations were installed at Island Falls, North Battleford, Yorkton, Swift Current and Beatty. The master station is located at the System Control Centre, Regina.

At year-end, the earth stations at Island Falls Power Station and at Beatty Switching Station near Melfort had been tested by transmitting data to the System Control Centre. Remote control of the Island Falls plant from Regina using the satellite system began December 16. The other earth stations were scheduled for testing early in 1986.



Satellite dish at Beatty Switching Station improves communication with the System Control Centre, Regina.

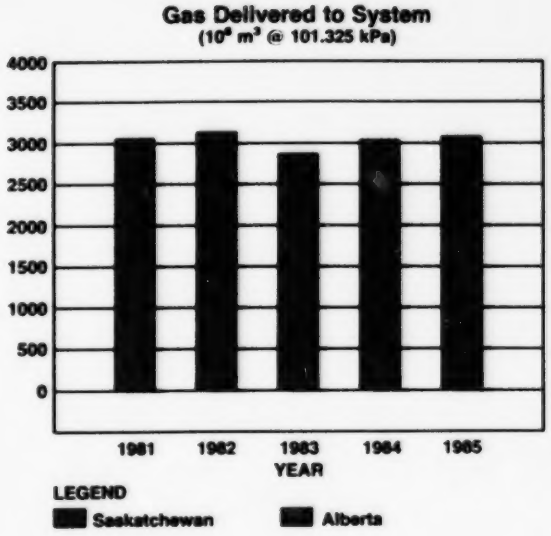
Natural Gas Operations

Saskatchewan gas sources provided 51.4 per cent of the province's gas requirements during the year, compared to 33.9 per cent in 1982. The corporation's objective is to obtain two-thirds of its requirements from in-province sources by 1988 and all of its requirements by the late 1990s.

The total volume of natural gas produced and purchased was 3 093 million cubic metres, up 1.5 per cent from 1984.

The largest volume of natural gas used in Saskatchewan in a single day in 1985 was 19.1 million cubic metres on January 30, 1985. This was 4.5 per cent below the record of 20 million cubic metres on December 23, 1983.

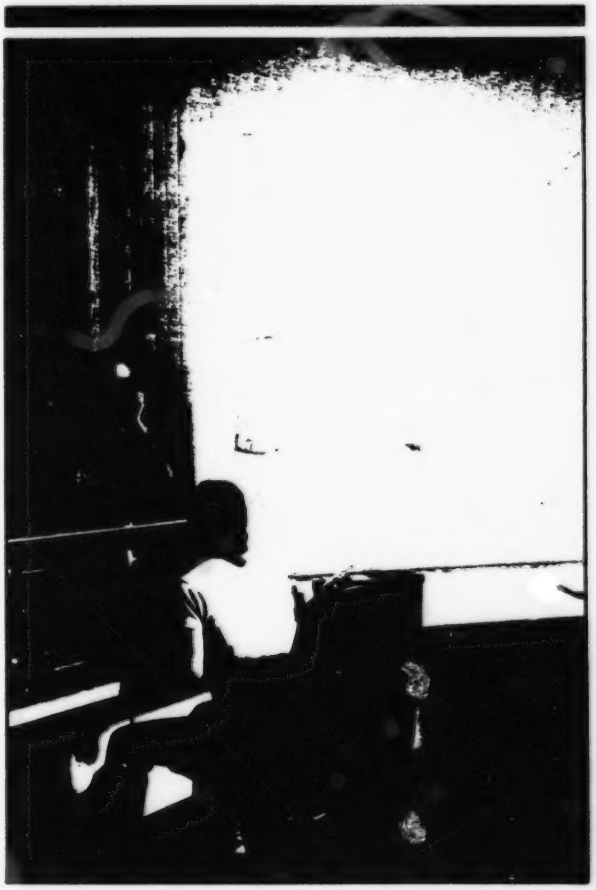
During 1985, natural gas storage facilities were capable of producing at a rate of 10 million cubic metres per day or 52.4 per cent of the daily peak demand.



Gas Supply Sources

(10^6 m^3)
(millions of cubic metres)

Sources	1985	1984	% Increase (Decrease)
Alberta			
TCPL	**780**	945	(17.5)
Field Suppliers	**357**	395	(9.6)
SaskPower Production	**455**	469	(3.0)
Less Alberta Sales	**(247)**	(237)	(4.2)
Total Alberta	**1 345**	1 572	(14.4)
Saskatchewan			
Field Suppliers	**1 385**	1 142	21.3
SaskPower Production	**116**	97	19.6
Total Saskatchewan	**1 501**	1 239	21.1
Storage	**75**	44	70.5
Total Sask. Requirements	**2 921**	2 855	2.3
Fuel and Other Uses	**(96)**	(72)	(33.3)
Alberta Sales	**247**	237	4.2
Total Utility Sales	**3 072**	3 020	1.7



Gary Tolhurst (left) and Morley Ignatiuk dispatch natural gas from the System Control Centre, Regina.

A contractor installs corrosion control equipment at Moose Jaw to protect natural gas pipelines.

Natural Gas Planning and Development

SaskPower entered into eight new gas supply contracts with provincial producers during the year. These contracts involve the supply of 92 million cubic metres per year or 3.2 per cent of the total 1985 requirements. The additional supplies will help meet increased demand and offset declining deliveries from existing sources, as well as permit a continued reduction in purchases of Alberta gas.

The improvement in oil production in the province has increased the availability of associated gas (natural gas produced with oil), which in past years was often flared. Purchases of associated gas increased to 5.9 per cent of the province's requirements in 1985. This compared to 0.5 per cent of requirements in 1982.

In the interest of increasing the level of proven reserves of natural gas to meet future needs, SaskPower entered into 22 joint venture agreements with oil and gas companies.

During 1985, SaskPower and its joint venture partners participated in the drilling of 92 wells of which 46 in Saskatchewan and 27 in Alberta were successful. The estimated expenditure by other companies in 1985 from new and existing joint ventures was $10 million. Total expenditures were $14.5 million. SaskPower's share of proven reserves resulting from this program was 500 million cubic metres.

Total proven reserves available to SaskPower were 60 048 million cubic metres at year-end. This is equivalent to a 19.5-year supply at the 1985 consumption rate.

Cavern Development

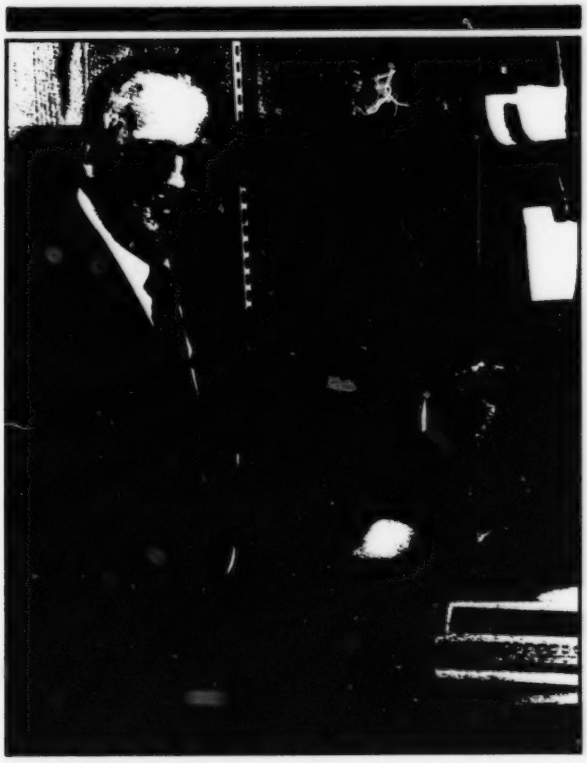
Since the 1950s, the corporation has been developing underground storage caverns to minimize the need to build major natural gas pipelines to supply large population centres. The caverns are injected with natural gas in the summer to provide for the increased demand during the winter.

In August, 1985, solution mining began on two new caverns near Prud'homme using a new automated system. The system automatically controls valves, pumps and other equipment used in the mining process. It offers superior control of equipment, and is more economical than traditional methods because fewer staff are needed to monitor the mining process.

At year-end, approximately 10 per cent of the planned capacity of the new caverns had been achieved. Solution mining will continue until the caverns are completed at the end of 1986.

The Prud'homme caverns will add an estimated 34 million cubic metres to the corporation's existing 150 million cubic metres of cavern storage capacity. The caverns will be available to provide natural gas for the 1987/88 winter heating season.

Customer and Corporate Services



"In 1985, the detailed process of planning and developing new corporate information systems started to pay dividends with the successful implementation of an effective and efficient computerized information system to benefit customers."

Oscar Hanson, Senior Vice-President, Customer and Corporate Services.

Customers Served at December 31

Electricity	1985	1984
Residential	269 400	265 640
Farm	72 156	71 916
Commercial/Industrial	47 959	47 366
Street Lights	930	930
Intersystem and Other	15	15
Total	390 460	385 867
Natural Gas		
Residential	222 372	217 830
Farm	9 997	5 796
Commercial/Industrial	30 680	29 800
Other	10	12
Total	263 059	253 438

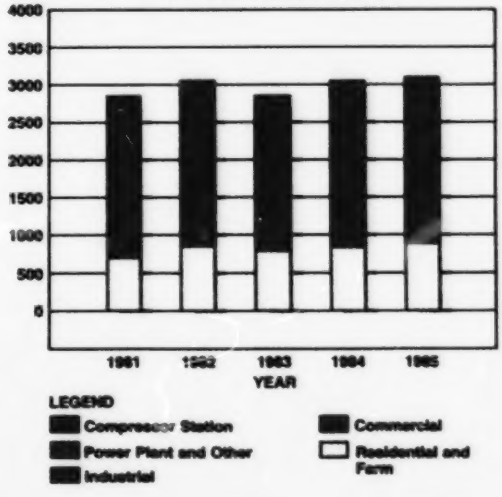
Customers used 10.2 million megawatt hours* of electricity in 1985, three per cent more than 1984. The number of customers using electricity increased by 4 593 to 390 460 at year-end.

Electricity supplied to residential, farm and commercial customers showed a combined growth of four per cent from 1984. Oilfield customers used eight per cent more electricity in 1985 due to increased oil production. However, overall industrial consumption was down two per cent from 1984.

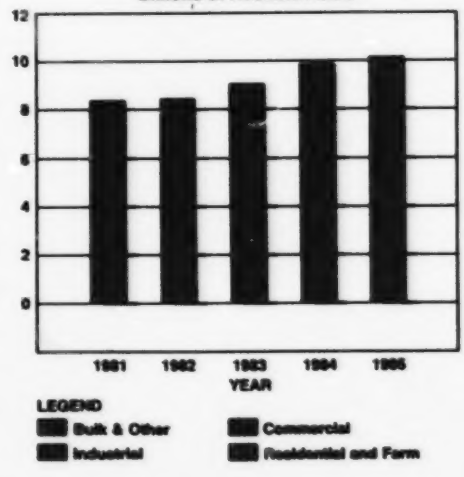
The total use of natural gas by customers increased 1.7 per cent over 1984 to 3.1 billion cubic metres. This increase was largely due to 9 621 new customers. More than half of the new customers received service under the Saskatchewan Natural Gas Distribution Program.

* one megawatt hour is equivalent to one thousand kilowatt hours.

Gas Consumption
10^6 m³ @ 101.325 kPa
(Millions of Cubic Metres)



Electricity Consumption
Billions of Kilowatt Hours



Plowing coiled steel tubing near Spruce Home for the rural natural gas program.

Saskatchewan Natural Gas Distribution Program

In its fourth year, the Saskatchewan Natural Gas Distribution Program provided service to 4 200 rural and 1 331 urban customers. Total cost of the program this year was $46 million. There were more than 8 000 km of plastic pipe and some 300 km of steel pipe installed.

To the end of 1985, SaskPower has installed over 21 000 km of pipe to provide natural gas service to more than 17 000 new customers. Total cost of the program to date is $140.5 million. Each year the program creates an estimated 770 jobs through direct and indirect employment.

For the first time, a new coiled steel tubing, designed and manufactured in Regina, was used. The corporation installed 105 km of the tubing for high pressure natural gas transmission in 1985.

The ductility and thin wall of the steel tubing enables it to be coiled on reels. Installation is by plowing whereby trenching and burying occur in one operation. The plowing method eliminates numerous field welds, top soil stripping and trenching. It also minimizes disturbances to terrain and crops, and reduces overall pipeline costs.

Contractor buries electric cable on a farm near Lorlie as part of the province-wide Rural Underground Distribution program.

Rural Underground Distribution

In 1985, the corporation initiated an extensive program to replace single wire overhead electrical lines with underground lines. The program will be carried out over the next 15 to 20 years as overloading and deterioration of the 108 000 km rural distribution system occurs.

In 1985, 389 farms were served with underground cable in 14 locations. The program followed pilot projects in 1983 and 1984 that confirmed the economic and technical viability of underground systems. The Rural Underground Distribution program will also improve safety, make SaskPower's service more reliable, and optimize land use through removal of poles on farm land.

Buy Saskatchewan Program

The Buy Saskatchewan program, started in 1983, fosters the development of new manufacturers and suppliers as well as the expansion of existing businesses in the province. During 1985, SaskPower purchased goods and services valued at approximately $369 million from Saskatchewan firms compared to some $270 million in 1984.

The Buy Saskatchewan program has also brought several new industries into the province and encouraged existing manufacturers to expand their operations. During 1985, a plastic pipe manufacturing plant was established in Saskatoon. In addition to producing plastic pipe for use by SaskPower, this plant will produce larger diameter plastic pipe for other western Canadian and U.S. customers.

The corporation entered into an eight-year contract with a company that will supply cable for the rural underground electrical projects. The company has started construction of a cable manufacturing plant at Moose Jaw. Production at the plant will begin in late 1986 and will include the manufacture of products for export to other provinces and countries. The plant will create more than 30 jobs, and will have an annual payroll of approximately $600 000.

Pole line hardware is now being manufactured in the province following the construction of a new galvanizing plant in Saskatoon. The establishment of the plant has permitted a number of existing firms to expand their product lines. Some of the products being manufactured in Saskatchewan for the first time are streetlight brackets, crossarm braces, moulding staples, washers, transformer hangers, cable guards and insulator pins.

SaskPower continued to support local manufacturers and suppliers through purchases of various goods. A major order for transformers was contracted to a Regina firm. An order for component parts for the transformers was subcontracted to firms in Yorkton and Regina.

The corporation also purchased 241 vehicles from dealers throughout the province. Also in 1985, 51 fibreglass truck bodies were purchased from local manufacturers at Saskatoon and Estevan.

Crossarms manufactured at Middle Lake are among the many products purchased under the Buy Saskatchewan program.

Research and Development

Development and testing of a microprocessor-based portable data recorder is continuing. The recorder will collect information to determine what effect high winds and ice accumulation have on transmission lines. The data will help the corporation to design and build more reliable lines reducing the risk of transmission line failure.

SaskPower is looking at ways of improving the quality of plastic pipe installations for the rural natural gas program. The program uses distribution pipe made of polyethylene which is joined using a heat fusion technique. Visual inspection of the pipe joints is the current industry practice. To ensure the long-term reliability of the piping system, additional quality control was needed. To that end, the corporation has developed equipment and training methods for pipe joiners and inspectors.

Laboratory evaluation was completed on a coal ash monitor that is expected to lower the corporation's costs and improve reliability. The device measures the ash content of coal as it enters the plant. If the ash content is high, the coal becomes difficult to burn and operators must make adjustments in plant operations to compensate for the change in coal quality. Use of the monitor should reduce the number of shut-downs or periods of curtailed operation due to changes in the ash content of coal. An in-plant evaluation of the monitor is now under way at the Poplar River Power Station.

The corporation tested an automatic gas well dewatering system located in the Medicine Hat gas field area. Originally developed by others, the prototype device was modified for servicing low-pressure, low-productivity gas wells. The system is expected to increase production per gas well by more than $25 000 worth of saleable natural gas annually.

Enerwise

SaskPower encourages the wise use of energy through its Enerwise program. The program provides loans of up to $3 000 at low interest rates repayable over five years. Funds may be used for projects to decrease heat loss in existing or new buildings and to convert existing heating systems to use natural gas or to install hybrid electric/oil units.

In 1985, more than 6 000 customers received $11 million in Enerwise loans.

Mike Friestadt, gas service foreman, discusses operation of a natural gas grain dryer with farmers Keith Krienke and Cliff Gryba in Clair, Saskatchewan.

Grain Drying

SaskPower supplied natural gas to serve grain dryers in response to the need for drying large volumes of damp grain harvested in 1985.

The corporation provided connections at numerous farm sites where adequate gas supplies were available, and at other designated locations near communities.

Computerized Information Systems

In 1980, the corporation embarked on a major program to revamp its internal computerized systems. After five years of intensive planning and preparation, new and more efficient computerized information systems are replacing old systems in several areas. The greatest changes are taking place in the customer services, human resources, materials management and finance areas.

The largest system, the Customer Service Information System (CSIS), was launched in October in the Moose Jaw region.

The CSIS was operational throughout the province in March, 1986. Computer terminals in more than 50 district offices will assist staff to quickly handle customer transactions, inquiries and service requests. The system will help improve customer service and provide more timely and accurate information to staff. As well, the system includes a new bill which will be more easily understood.

Planning for the new systems began five years ago with the formation of the Computer Services Executive Committee (CSEC). The committee's role is to oversee the development of a network of information systems which meet the future needs of the corporation's decentralized field operation and head office functions.

The structure and responsibilities of CSEC reflect the position that people who will use the new systems should participate in their planning and development. CSEC is also based on the principle that information processes within the corporation are driven by those who use the information and not by those who supply the service. CSEC consists of a cross section of managers representing the interests of various departments.

Human Resources

The 1984-85 collective bargaining agreement with the International Brotherhood of Electrical Workers (IBEW) Local 2067 was extended one year to December 31, 1986. The agreement provides for a three-per-cent wage increase effective January 1, 1986. The three-year contract with the Energy and Chemical Workers (ECW) Local 649 expires January 31, 1987.

During 1985, the corporation had an average monthly staff of 3 064.

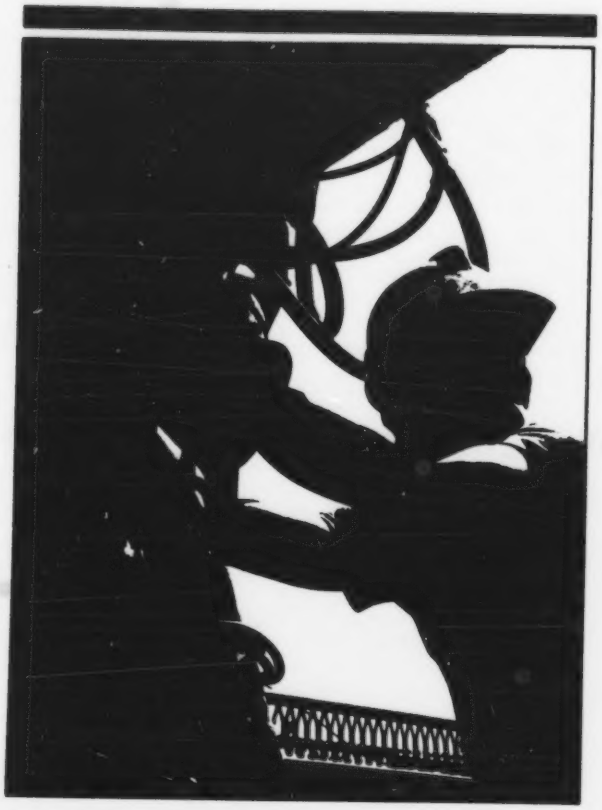
A total of 1 206 employees received qualifying or developmental training, averaging four days each, through 148 staff training sessions.

SaskPower gas servicemen attended courses in electrical theory upgrading because of changes to electronic controls on new furnaces. Upgrading will help servicemen maintain high quality service to customers.

Affirmative Action

Through the affirmative action program, the corporation provided employment for 36 people of native origin, five disabled people and 17 women in non-traditional jobs. Of the 58 target group employees hired, 43 are still employed, 16 in temporary jobs and 27 in permanent jobs. For the first time, the corporation offered an in-house introductory accounting class for target group employees.

Shauna Kinzel reads an electric meter at a Regina residence.



Robert Hugh, Headstart trainee, operates equipment to straighten power poles on a distribution line between Nipawin and Tisdale.

Headstart

Headstart Employment Corporation, a non-profit organization established in 1978 by SaskPower and Employment and Immigration Canada, continued to provide on-the-job training and academic upgrading to educationally disadvantaged people.

On-the-job experience combined with classroom learning equips the individuals with skills needed to pursue an apprenticeship program. Since the program was started, about 80 per cent of program participants found employment or are taking additional training.

Headstart offered on-the-job training during the work season to 16 people, 13 of whom went on to take academic upgrading at Saskatchewan community colleges.

Safety and Occupational Health

Safety of the public and employees is paramount in all of the corporation's work.

Employee lost-time injuries were significantly reduced to 39 from 61 in 1984. There was one public fatality compared to four in 1984. Vehicle accidents increased to 166, up from 155 in 1984. The increase was due in part to extremely icy road conditions during January and February, 1985.

Courses were provided to more than 2 000 employees in first aid, CPR, defensive driving and professional driving instruction.

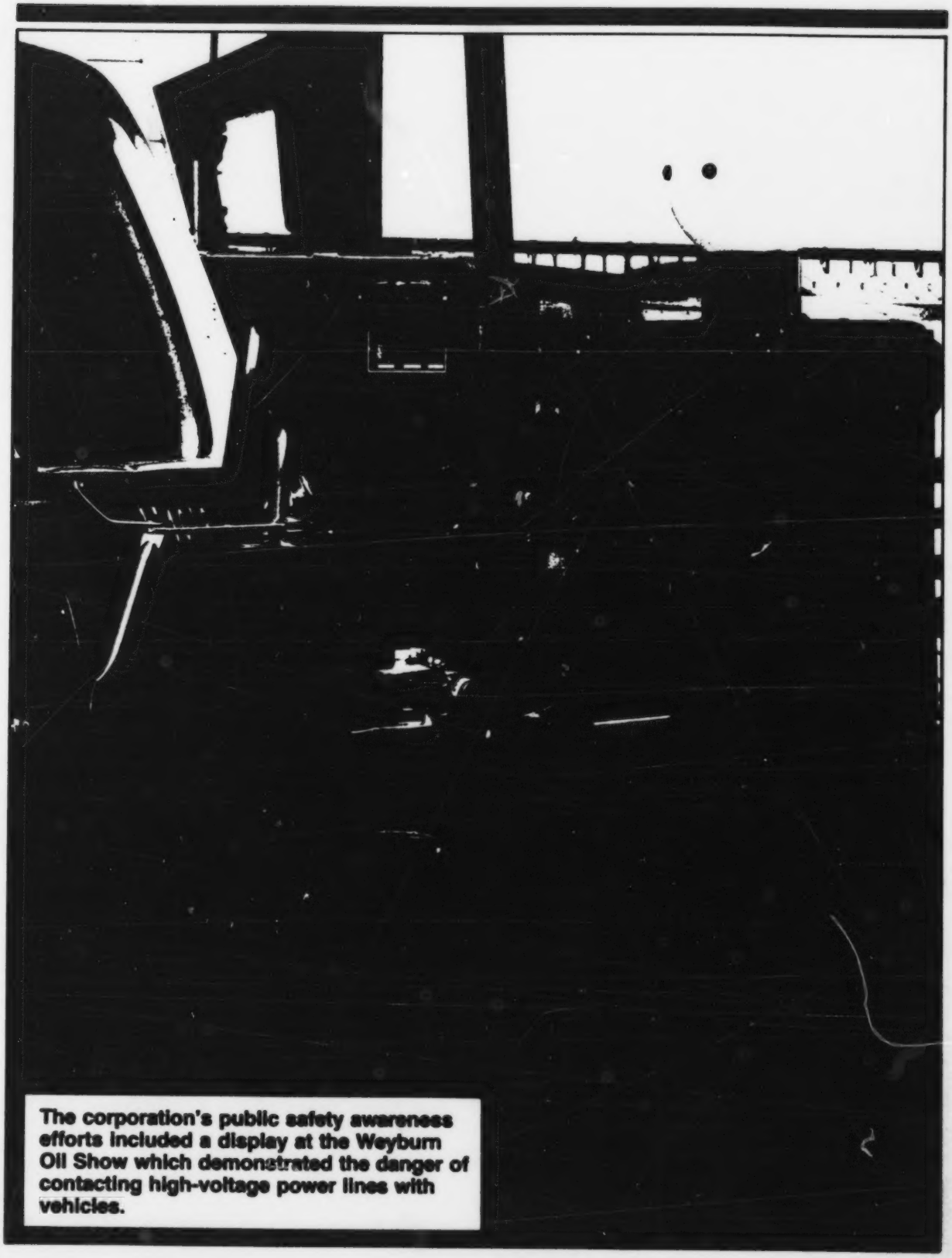
The corporation initiated a program to eliminate employees' exposure to asbestos in plants and offices. The program, costing $7 million in 1985, involves removing or permanently enclosing asbestos.

Approximately 250 employees received training in asbestos safety. More than 1 100 employees received copies of a booklet on identification and control of asbestos and asbestos health hazards.

As part of its occupational health program, the corporation offered for the first time eye examinations for employees who work at video display terminals. By year-end, 121 employees had received professional eye testing. The mandate of the program includes ensuring that employees are provided with conditions which contribute to a less stressful work environment. Progress has been made in the areas of providing proper office furniture, reducing noise levels and improving lighting levels.

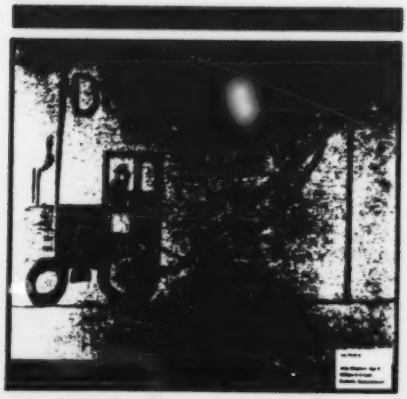
The 1985 safety program included safety meetings and on-site work inspections, safety training and public awareness campaigns, and displays at major exhibitions, including the Western Canada Farm Progress Show.

Safety meetings were held with contractors, police, fire fighters, farmers, school children and other public groups throughout the province. The safety department also conducted a Safety Poster Contest in co-operation with Saskatchewan 4-H Clubs.



The corporation's public safety awareness efforts included a display at the Weyburn Oil Show which demonstrated the danger of contacting high-voltage power lines with vehicles.

4-H Safety Poster Contest Winners



1st, Jody Bingham, 9, Cutknife.

2nd, Kristian Franz, 9, Landis.

3rd, Wade Fornwald, 15, Lampman.

SaskPower and the Saskatchewan 4-H Council participated for the first time in a province-wide poster contest about electricity and natural gas safety on the farm.

1985 Generation Statistics

	1985 Rated Generating Capacity (Gross kilowatts)	1985 Gross Generation ($kW \cdot h \times 10^3$)	1985 Gross Generation % Increase (Decrease) From 1984
Hydro			
Squaw Rapids	288 000	721 330	14.3
Coteau Creek	186 000	364 245	20.4
Island Falls	95 000	765 039	(0.5)
Nipawin	84 000	92 787	N/A
Total Hydro	653 000	1 943 401	14.2
Steam			
Boundary Dam	875 000	5 301 110	(4.2)
Estevan	65 000	166 443	8.4
Poplar River	592 000	4 560 700	9.1
Queen Elizabeth	232 000	240 898	(26.0)
Total Steam	1 764 000	10 269 151	0.7
Gas Turbine			
Landis	60 000	14 464	(58.1)
Meadow Lake	46 000	31 893	823.4
Success	30 000	564	(94.5)
Total Gas Turbine	136 000	46 921	22.7
Total Generation		12 259 473	2.7
Less Station Service		796 425	1.4
Net Generated		11 463 048	2.8
Net Imported		287 910	19.2
Net Generation Plus Import $kW \cdot h (\times 10^3)$		11 750 958	3.2
Northern Diesel Plants	6 950	6 858	7.8
Northern Purchase		9 947	19.3
Total Capacity	2 559 950		
Total Delivered to System		11 767 763	3.2
Less Losses & Unaccounted for		1 596 135	
Energy Sold		10 171 628	3.2
Annual Peak Load (Net) (1985-11-25-17:34)	2 100 000		

Jerry Belay, line foreman, Regina, and his wife, Joan, were among more than 23 000 Saskatchewan residents who invested in Saskatchewan Power Corporation Savings Bonds. Jerry purchased the bonds for his children, Cory and Trishia.

Savings Bonds

In July, the second successful issue of Saskatchewan Power Corporation Savings Bonds was completed. More than $90 million was raised. The issue of Series II bonds followed the sale of Series I bonds in 1984 which raised more than $60 million. Contributing to the success of Series II bonds was the participation of more than 9 000 new investors.

The bonds provide Saskatchewan residents with a fully secured opportunity to invest their savings in the province while providing funds for the capital requirements of SaskPower. The bonds have proven attractive to a broad range of investors. Available in amounts from $100 to a maximum of $50 000, the average holding is just over $6 000. More than 23 000 residents from all areas of the province have invested in the savings bonds.

Series I and Series II bonds yield 11.5 per cent and 9.5 per cent respectively. The interest rate is subject to increases at the discretion of the Saskatchewan Minister of Finance. The bonds are fully guaranteed by the Province of Saskatchewan, and are redeemable semi-annually.

Rates and Regulation

Rates charged to gas and electricity customers are subject to review and approval by the Public Utilities Review Commission (PURC).

The corporation appeared before PURC at special hearings held December 9 to 18, 1985, to consider a number of technical issues which may affect rates. These included load forecasting, generation capacity planning, depreciation practices and cost of services methodologies. A decision on these technical issues is pending.

The corporation made an application to PURC on January 20, 1986, for an increase in electricity rates of 7.5 per cent across the board to all customer classes effective March 1. The commission approved the revenue increase on an interim basis.

There was no application for natural gas rate changes. However, PURC ruled that the corporation rebate $4.3 million in gas revenue to customers by May 1, 1986.

Financial Review

Nipawin Hydroelectric Project

Financial Review

The consolidated financial statements include segmented information for the electrical and natural gas utilities. This format provides a more informative disclosure of the corporation's financial condition, affairs and performance.

In accordance with recent pronouncements of the Canadian Institute of Chartered Accountants, the statement of changes in cash position has been adopted in place of the statement of changes in financial position. This statement more appropriately reflects the financial activities of the corporation.

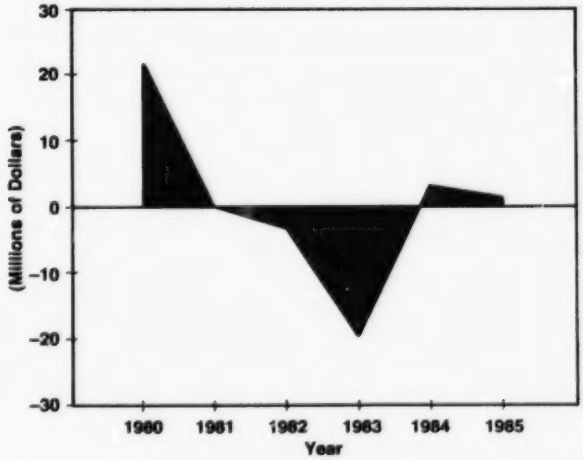
Financial Results

Consolidated income from operations for the year was $1 million compared to $3 million earned in 1984. Consolidated income was adjusted to reflect the $4.3 million gas rebate to customers ordered by the Public Utilities Review Commission in February, 1986.

The natural gas utility continues to contribute positively to corporate results. Earnings from the natural gas utility were $23 million. While improved from last year, the electric utility experienced a loss of $22 million.

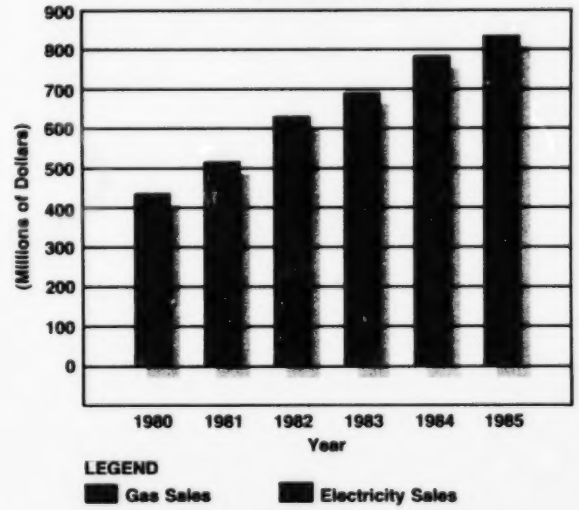
Consolidated revenue of $837 million represents an increase of $52 million or 6.6 per cent over 1984. This revenue increase is divided almost evenly between growth in demand and the full year impact of electric rate increases implemented in 1984.

Consolidated Income (Loss) From Operations



Corporate income from operations in the past two years, while recovering from successive losses in the three previous years, is well below appropriate levels to adequately service the debt load and ongoing capital expenditure programs.

Consolidated Revenue



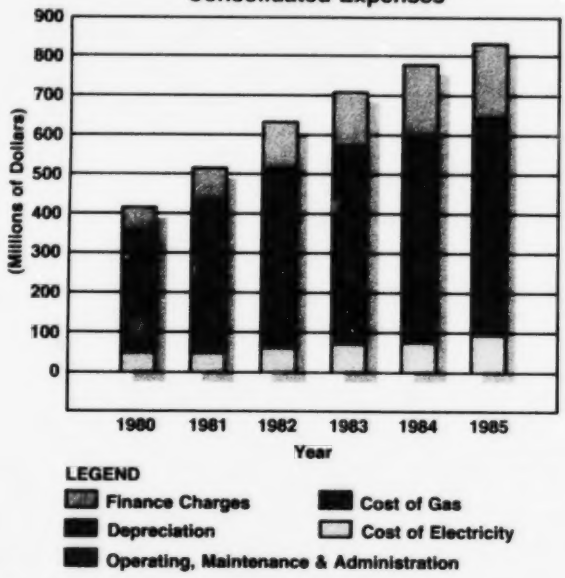
Electricity and natural gas revenues increased on average by about 14 per cent per year over the last six years. Electricity sales account for about 56 per cent of total revenues on average for the six-year period.

Consolidated costs and expenses excluding finance charges totalled $639 million, which is $48 million or 8.1 per cent higher than last year. However, as a percentage of revenue, costs and expenses are comparable to 1984.

A major portion of the increase is attributed to the higher cost of fuel. This resulted from low water flows which necessitated the use of higher cost thermal generation and purchased electricity. Increases in the remaining costs are mainly inflationary and growth related.

Finance charges in 1985 were marginally higher than in 1984. This was due to declining interest rates on new debt together with higher capitalization of interest costs. These reductions were offset by higher foreign exchange costs arising from a stronger U.S. dollar.

Consolidated Expenses



Finance charges are a major component of expenses, growing from 16 per cent of total expenses in 1980 to more than 23 per cent in 1985. This represents an average increase of 24 per cent per year as compared to growth in other expenses of 13 per cent per year.

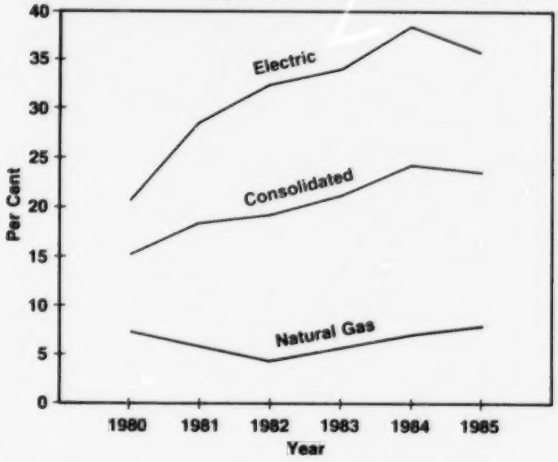
Capital Expenditures

Capital expenditures for the year of $303 million were slightly lower than in 1984 but significantly under budget. Where feasible a concerted effort was made to defer capital expenditures.

More than half the capital expenditures were attributed to the Nipawin Hydroelectric Project ($125 million) and the Saskatchewan Natural Gas Distribution Program ($46 million).

In addition, more than $60 million was spent to connect new customers and to replace and upgrade older electrical distribution facilities including the rural underground distribution system and the Regina redevelopment project.

Finance Charges as a Per Cent of Revenue



For each dollar of electrical revenue, 36 cents is used to pay finance charges compared to 21 cents in 1980. In contrast, less than 8 cents for each dollar of natural gas revenue is required to pay for finance charges.

Interest Coverage Ratio
(U.S. Security and Exchange Commission Method)

	1980	1981	1982	1983	1984	1985
Electricity	0.96	0.80	0.80	0.84	0.87	0.91
Natural Gas	2.33	2.22	2.30	1.33	1.99	1.61
Corporate	1.21	1.00	0.98	0.91	1.01	1.00

Electrical utility interest coverage has been less than 1.0 times, indicating inadequate earnings to cover debt servicing, to meet unforseen operating and financial risks, and to finance a portion of its capital expenditure programs.

Financing and Financial Condition

In 1985, cash generated from operations of $303 million was significantly higher than 1984, but the majority of it was needed to service the corporation's debt. As a result, funding from external sources totalling $299 million was required to finance continuing heavy capital expenditures.

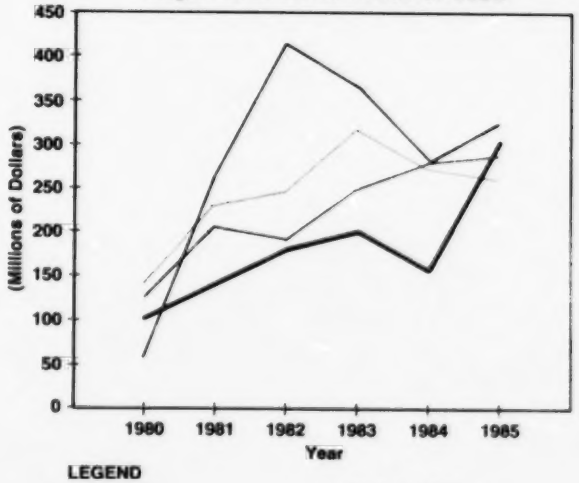
SaskPower issued its second series of savings bonds. The new issue carried an interest rate of 9.5 per cent. This issue enabled the corporation to raise $90 million, increasing financing from this source to $150 million with only minor redemptions experienced to date.

The statement of changes in cash position illustrates the difficulties in servicing debt and financing capital programs. Capital programs are essential to maintaining and providing an ongoing high quality and reliable service.

As part of a program to gradually restore the financial integrity of the electrical utility, the corporation has received approval from PURC for an overall average 7.5 per cent interim electrical rate increase effective March 1, 1986. This rate increase is necessary to reduce substantial corporate losses projected for 1986 due to the additional depreciation and interest expenses of bringing the Nipawin hydroelectric facilities into service.

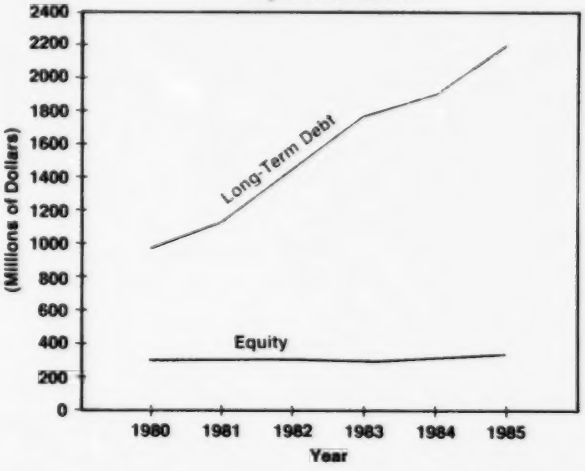
SaskPower plans to apply for comparable electrical rate increases in 1987 and 1988, which are expected to restore the electrical utility to break-even levels in 1988.

Major Sources and Uses of Cash



Except for 1985, cash from operations was insufficient to cover debt servicing. The corporation found it necessary to borrow for interest payments and maturing debt, as well as fund from debt its capital expenditure requirements.

Capital Structure



Gradual erosion of the corporation's capital structure over the past six years reflects mounting debt requirements to fund the large electrical utility capital expenditure programs.

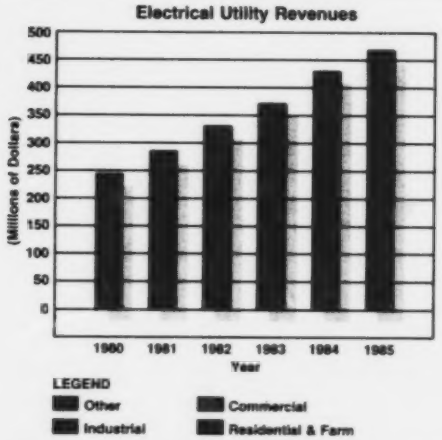
Capital Structure (Per Cent Debt)

	1980	1981	1982	1983	1984	1985
Electricity	81	85	90	93	95	96
Natural Gas	61	56	54	58	56	55
Corporate	76	78	82	86	86	87

The insufficient cash generated from operations of the electrical utility is reflected by the high percentage of debt. In contrast, the natural gas utility percentages are at more appropriate levels.

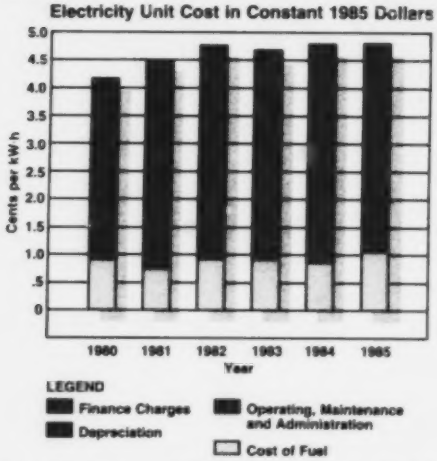
Financial Review by Utility

Electrical Utility Revenues



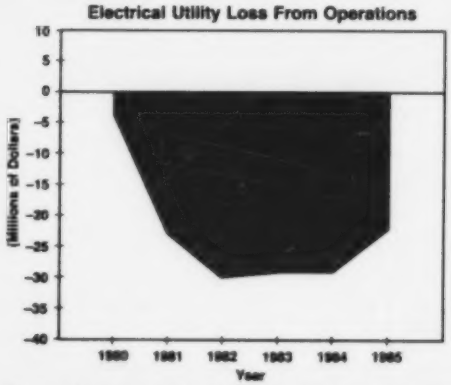
Electrical revenues increased by about 14 per cent per year in the last six years due mainly to the significant growth in industrial and commercial sales, and increases in rates.

Electricity Unit Cost in Constant 1985 Dollars



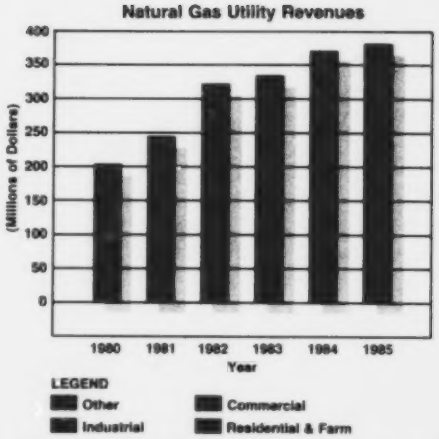
Unit cost in constant 1985 dollars has remained fairly stable over the past four years. Decreases in operating, maintenance, and administration costs have offset the impact of growing finance charges.

Electrical Utility Loss From Operations



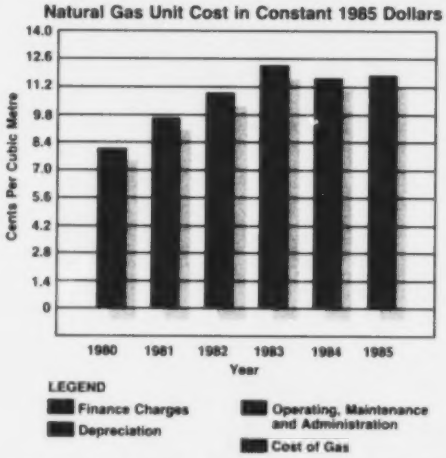
Accumulated operating losses over the last six years were $137 million resulting in a severe erosion of the electrical utility capital structure.

Natural Gas Utility Revenues



Growth in natural gas revenues averaged about 13 per cent per year over the past six years due mainly to increases in residential, rural and commercial demand, and increases in rates.

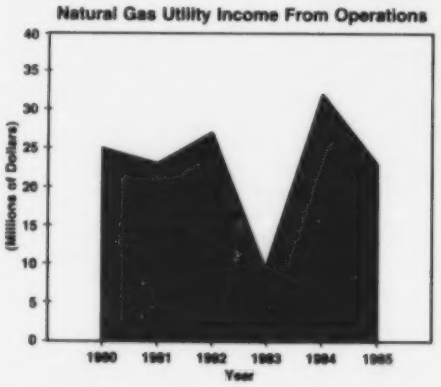
Natural Gas Unit Cost in Constant 1985 Dollars



Cost of natural gas is the most important component of the natural gas utility, accounting for two-thirds of total cost.

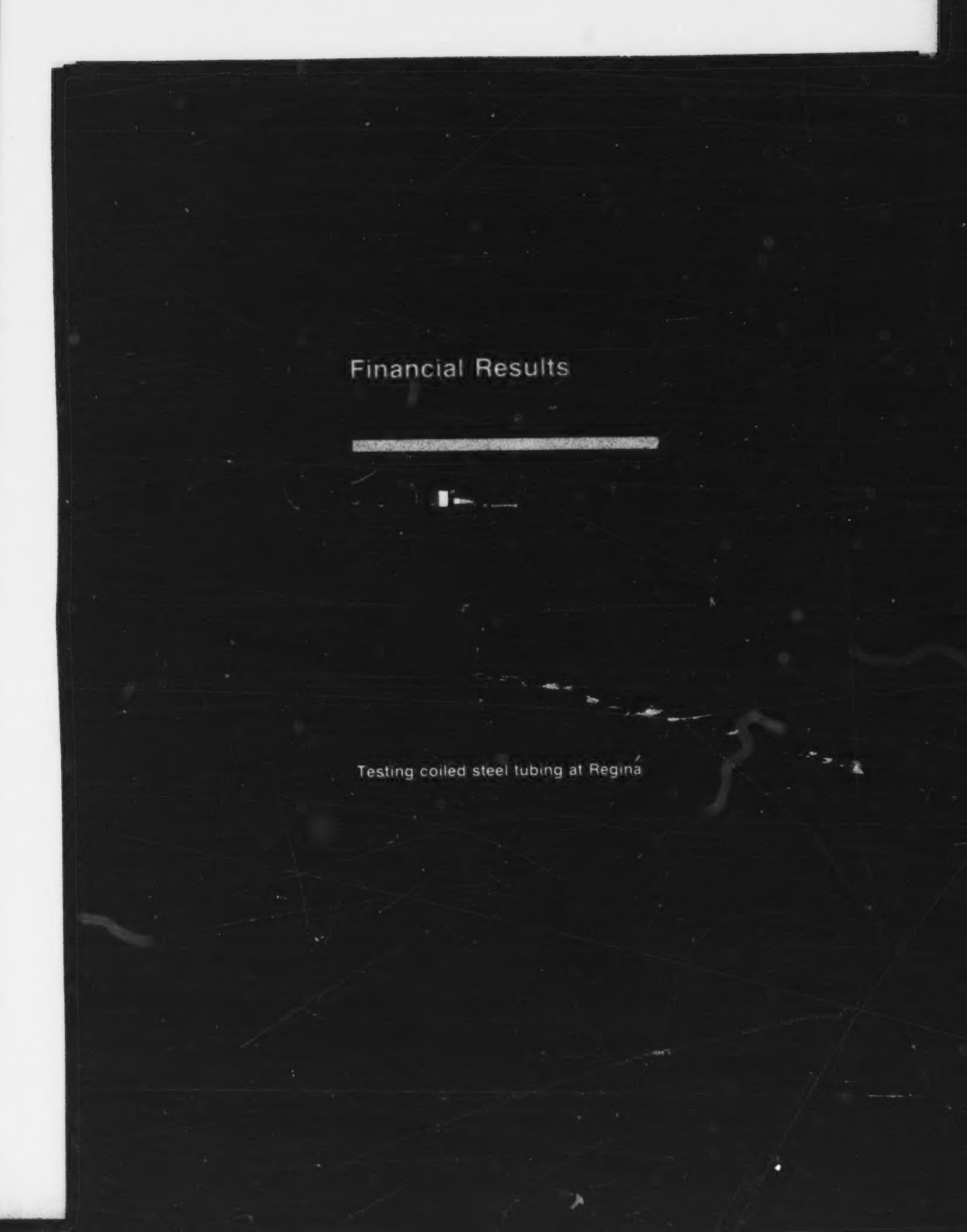
In constant 1985 dollars, the average unit cost of natural gas has declined slightly in the past two years due mainly to increased use of lower-priced gas from Saskatchewan sources.

Natural Gas Utility Income From Operations



Accumulated operating income was $139 million over the last six years, enabling the natural gas utility to maintain its good financial condition.

Financial Results



Testing coiled steel tubing at Regina

Report of Management

Management is responsible for the integrity of the financial data reported by the Corporation and its subsidiaries. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data in accordance with generally accepted accounting principles in Canada which are consistently applied, with any exceptions specifically described in the notes to the consolidated financial statements. Management uses internal accounting controls, offers guidance through corporate-wide policies and procedures and exercises its best judgment in order that such statements reflect fairly the consolidated financial position, results of operations and changes in cash position.

In order to gather and control financial data, the Corporation has established accounting and reporting systems supported by internal controls and an internal audit program. In establishing systems of internal control, management weighs the cost of such systems against the benefits that it believes can be derived. Management believes that the existing internal controls provide reasonable assurance that assets are safeguarded and that the financial records are reliable for preparing financial statements and other data and maintaining accountability for assets.

The Provincial Auditor for the Province of Saskatchewan has examined the Saskatchewan Power Corporation's consolidated statements of financial position as at December 31, 1985 and the related consolidated statements of income and retained earnings and changes in cash position for the year then ended. His reponsibility is to express an opinion on the fairness of management's financial statements. The Auditor's Report outlines the scope of his examination and his opinion.

In ensuring that management fulfills its responsibility for financial reporting and internal control, the Board of Directors is assisted by the Audit Committee whose members are outside directors. At regular meetings, the committee discusses audit and financial reporting matters with representatives of management, the internal auditors and the Provincial Auditor. The Audit Committee has reviewed the consolidated financial statement with the Provincial Auditor and has submitted its report to the Board of Directors. The Board of Directors has reviewed the Annual Report in advance of its release and has approved its content and authorized its publication.

On behalf of Management,

E.B. Campbell
President

H. Jim
Vice-President, Finance

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan

I have examined the consolidated statements of financial position of Saskatchewan Power Corporation as at December 31, 1985, and the consolidated statements of income and retained earnings and changes in cash position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these consolidated financial statements present fairly the financial position of Saskatchewan Power Corporation as at December 31, 1985 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 28, 1986

W.G. Lutz, FCA
Provincial Auditor

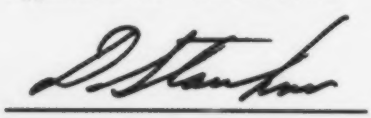
Saskatchewan Power Corporation

Consolidated Statements of Financial Position

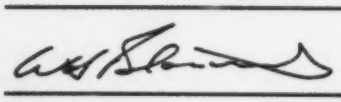
as at December 31 (in Millions)

	1985			1984		
	Consolidated	Electrical Utility	Gas Utility	Consolidated	Electrical Utility	Gas Utility
ASSETS						
FIXED ASSETS						
Property, plant and equipment (Note 2)	$2 639	$1 955	$684	$2 302	$1 691	$611
Less: Accumulated depreciation and depletion	712	505	207	644	456	188
	1 927	1 450	477	1 658	1 235	423
Construction in progress	373	366	7	417	408	9
	2 300	1 816	484	2 075	1 643	432
CURRENT ASSETS						
Cash and short-term investments	18	(6)	24	–	–	–
Accounts receivable and unbilled revenue	142	75	67	153	75	78
Notes receivable (Note 6)	89	89	–	99	99	–
Inventories	78	46	32	66	36	30
	327	204	123	318	210	108
UNAMORTIZED COSTS OF LONG-TERM DEBT						
Foreign exchange	108	92	16	80	67	13
Discount and issue expenses	31	26	5	30	26	4
	139	118	21	110	93	17
OTHER ASSETS AND DEFERRED COSTS	54	12	42	53	16	37
	$2 820	$2 150	$670	$2 556	$1 962	$594

Approved on behalf of the Board:



, Director



, Director

	1985			1984		
	Consol-idated	Electrical Utility	Gas Utility	Consol-idated	Electrical Utility	Gas Utility
LIABILITIES AND EQUITY						
LONG-TERM DEBT						
Advances from the Province of Saskatchewan (Note 3)	$2 293	$1 940	$353	$2 057	$1 731	$326
Saskatchewan Power Corporation Savings Bonds (Note 4)	147	118	29	60	55	5
Other	12	12	–	1	–	1
	2 452	2 070	382	2 118	1 786	332
Less equity in sinking funds (Note 3)	252	194	58	214	165	49
Long-term debt net of sinking funds	2 200	1 876	324	1 904	1 621	283
Less amounts due within one year (Note 3)	128	98	30	19	13	6
	2 072	1 778	294	1 885	1 608	277
CURRENT LIABILITIES						
Bank indebtedness	–	–	–	11	10	1
Short-term indebtedness to the Province of Saskatchewan	–	–	–	55	50	5
Accounts payable and accrued liabilities	207	143	64	199	131	68
Long-term debt due within one year	128	98	30	19	13	6
	335	241	94	284	204	80
OTHER LIABILITIES AND DEFERRED INCOME						
Unpaid portion of early retirement costs	13	9	4	10	7	3
Unamortized gain on dragline sale	13	13	–	14	14	–
Unamortized customer contributions	46	34	12	47	35	12
	72	56	16	71	56	15
EQUITY						
Retained earnings (deficit)	223	(16)	239	222	6	216
Contributions in aid of construction	118	91	27	94	88	6
	341	75	266	316	94	222
	$2 820	$2 150	$670	$2 556	$1 962	$594

See accompanying notes

Saskatchewan Power Corporation

Consolidated Statements of Income and Retained Earnings

For the years ended December 31 (In Millions)

	1985			1984		
	Consolidated	Electrical Utility	Gas Utility	Consolidated	Electrical Utility	Gas Utility
REVENUE						
Sales to customers	$837	$469	$368	$785	$430	$355
Inter-utility sales eliminated on consolidation	–	1	14	–	1	17
	837	470	382	785	431	372
COSTS AND EXPENSES						
Fuel, water and purchased electricity	102	102	–	83	83	–
Gas	231	–	231	224	–	224
Inter-utility costs eliminated on consolidation	–	6	9	–	6	12
Operating, maintenance and administration	228	159	69	213	149	64
Depreciation and depletion	78	58	20	71	57	14
	639	325	329	591	295	314
INCOME BEFORE FINANCE CHARGES	198	145	53	194	136	58
FINANCE CHARGES (Note 5)	197	167	30	191	165	26
INCOME (LOSS) FROM OPERATIONS	1	(22)	23	3	(29)	32
EXTRAORDINARY ITEMS (Note 6)	–	–	–	7	7	–
NET INCOME (LOSS)	1	(22)	23	10	(22)	32
RETAINED EARNINGS (DEFICIT),						
beginning of year	222	6	216	212	28	184
end of year	$223	$(16)	$239	$222	$ 6	$216

See accompanying notes

Saskatchewan Power Corporation

Consolidated Statements of Changes in Cash Position

For the years ended December 31 (In Millions)

	1985			1984		
	Consol-idated	Electrical Utility	Gas Utility	Consol-idated	Electrical Utility	Gas Utility
CASH PROVIDED BY (USED IN) OPERATIONS						
Income from operations before finance charges	**$198**	$145	$ 53	**$194**	$136	$ 58
Interest income	**16**	15	1	**7**	5	2
Add charges to operations not requiring an outlay of cash:						
Depreciation and depletion	**78**	58	20	**71**	57	14
Other	**(6)**	–	(6)	**7**	3	4
	286	218	68	**279**	201	78
Net change in non-cash working capital (Note 7)	**17**	12	5	**(125)**	(119)	(6)
CASH FROM OPERATIONS AVAILABLE FOR DEBT SERVICING AND CAPITAL EXPENDITURES	**303**	230	73	**154**	82	72
CASH USED FOR DEBT SERVICING						
Gross interest payments	**268**	232	36	**242**	210	32
Principal repayments	**6**	4	2	**21**	16	5
Sinking fund installments	**13**	10	3	**16**	12	4
Cash used for debt servicing	**287**	246	41	**279**	238	41
NET CASH AVAILABLE (DEFICIENCY) FOR CAPITAL EXPENDITURES	**16**	(16)	32	**(125)**	(156)	31
CASH USED FOR CAPITAL EXPENDITURES						
Additions to property, plant and equipment	**303**	231	72	**307**	232	75
Less interest capitalized	**(44)**	(43)	(1)	**(36)**	(35)	(1)
Cash used for capital expenditures	**259**	188	71	**271**	197	74
NET CASH DEFICIENCY BEFORE FINANCING	**(243)**	(204)	(39)	**(396)**	(353)	(43)
CASH FROM FINANCING AND OTHER SOURCES						
Advances from the Province of Saskatchewan	**209**	176	33	**77**	65	12
Saskatchewan Power Corporation Savings Bonds	**90**	75	15	**60**	51	9
Contributions in aid of construction	**28**	7	21	**19**	11	8
Proceeds on disposal of property, plant and equipment	**–**	–	–	**125**	125	–
Cash provided by financing and other sources	**327**	258	69	**281**	252	29
INCREASE (DECREASE) IN CASH	**84**	54	30	**(115)**	(101)	(14)
CASH POSITION (INDEBTEDNESS), beginning of year	**(66)**	(60)	(6)	**49**	41	8
CASH POSITION (INDEBTEDNESS), end of year	**$ 18**	$ (6)	$ 24	**$ (66)**	$ (60)	$ (6)

See accompanying notes

Notes to Consolidated Financial Statements

December 31, 1985

The Corporation was established pursuant to The Power Corporation Act, passed on April 8, 1950. In accordance with the provisions of this Act, the Corporation's main functions are the generation, purchase, transmission, distribution and sale of electrical energy and the production, purchase, transmission, distribution and sale of natural gas. The Corporation's electric and natural gas rates are subject to regulation by the Saskatchewan Public Utilities Review Commission (PURC), established in December, 1982.

1. Accounting Policies

The Corporation's accounting policies are in accordance with generally accepted accounting principles and conform in all material respects with International Accounting Standards, except that there is no provision for income taxes as they are not exigible on earnings of Crown Corporations. The following policies are considered to be significant:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, North-Sask. Electric Ltd., Many Islands Pipe Lines Limited and Many Islands Pipe Lines (Canada) Limited. All intercompany accounts and transactions have been eliminated on consolidation.

Common assets, liabilities and expenses are allocated to the electric and gas utilities on bases which are reviewed and updated on a regular basis.

(b) Joint Ventures

Substantially all gas exploration and production activities are conducted with joint venture partners and, accordingly, the accounts reflect only the Corporation's proportionate interest in such activities.

(c) Fixed Assets

Property, plant and equipment are recorded at cost. The cost of projects includes direct material, interest, labour and overhead costs.

The costs of renewals and enhancements which extend the economic useful life of the assets are capitalized. On partial disposal of a prime asset, the cost less the proceeds of sale is charged to accumulated depreciation. When a complete prime asset is retired, a gain or loss is recognized in the Statement of Income.

Costs associated with modifications to property, plant and equipment as a result of environmental concerns are capitalized as part of the cost of plant in service and are depreciated over the remaining useful life of the related prime asset.

Maintenance and repair costs are expensed as incurred.

The full cost method of accounting for gas properties and related expenditures is followed.

Depreciation is calculated on a straight-line basis over the estimated service life of the utility assets. Depletion of gas properties and depreciation of production equipment and facilities are calculated using the unit of production method based on estimated proven reserves.

(d) Capitalization of Interest

Interest associated with major capital projects is capitalized during the construction period at the Corporation's weighted average interest rate of borrowings in the current year.

(e) Inventories

Stores inventories consisting of maintenance material, supplies and plant repair parts are recorded at average cost. Coal, fuel oil and gas in storage are recorded at cost on a first-in, first-out basis.

(f) Foreign Currency Translation

Transactions and balances denominated in a currency other than Canadian dollars are translated to Canadian dollars by applying exchange rates in effect at the transaction date. At each date a Statement of Financial Position is prepared, the recorded amounts of monetary assets and liabilities are adjusted using the exchange rate at that date. Any resulting exchange gains and losses are included in the Statement of Income in the current period except for unrealized exchange gains and losses on long-term monetary items which are deferred and amortized over the remaining life of the asset or liability.

(g) Amortization of Discount and Issue Expenses

Debt discount and issue expenses are amortized over the term of the respective issue. Gains or losses on partial redemption are amortized in the same manner.

(h) Early Retirement Costs

The Corporation developed a program which offered early retirement to certain employees. The costs were determined using actuarial methods and are amortized over four years from the commencement of the program.

(i) Customer Contributions

Contributions relating to new service connections, when revenues generated from such services are expected to exceed the costs of such services over a period of time, are credited to deferred income and amortized over that period.

(j) Contributions in Aid of Construction

Contributions in aid of construction consist of funds received relating to new service connections where it is estimated that revenues will never exceed the cost of providing service. These contributions are included in Equity.

2. Property, Plant and Equipment (in Millions)

	Cost	Accumulated Depreciation and Depletion	Net Book Value 1985	Net Book Value 1984
Electric Utility				
Generation Plant				
Thermal	$ 731	$179	$ 552	$ 571
Hydro	349	51	298	119
Other	22	7	15	15
Transmission	279	85	194	182
Distribution	491	151	340	299
Other	83	32	51	49
	1 955	505	1 450	1 235
Gas Utility				
Production	152	45	107	109
Gathering, Treatment and Compression Facilities	67	34	33	33
Transmission and Storage	163	57	106	94
Distribution	268	59	209	164
Other	34	12	22	23
	684	207	477	423
	$2 639	$712	$1 927	$1 658

Composite Depreciation and Depletion Rates

	1985	1984
Electric Utility	3.44%	3.43%
Gas Utility	3.52%	2.98%

Accumulated Interest Capitalized

	1985	1984
Amount included in property, plant and equipment	$239	$201

3. Advances from the Province of Saskatchewan (in Millions)

	Debt Recorded	Face Amount In Foreign Currency	Maturities (In Canadian Dollars)					
			1986	1987	1988	1989	1990	1991 and Beyond
Canadian Dollar Issues with interest rates of 5.75 to 16.75	$1 017	$ –	$ 12	$ 26	$ 31	$ 60	$ 15	$ 873
Canadian Dollar Issues Callable Upon Six-Months Notice with interest rates of 5.29 to 14.06	423	–	12	9	25	29	33	315
U.S. Dollar Issues with interest rates of 4.875 to 16.375	853	610	104	–	–	16	4	729
	$2 293	$610	$128	$ 35	$ 56	$105	$ 52	$1 917

Certain advances from the Province require the establishment of sinking funds whose equity upon maturity of the respective advances is applied to the principal amount to be repaid. The equity in sinking funds amounted to $252 at December 31, 1985 ($214 at December 31, 1984). Sinking fund installments payable for the next five years are as follows:

1986 — $14; 1987 — $13; 1988 — $13; 1989 — $12; 1990 — $11

The current portion of long-term debt consists of:

	1985			1984		
	Consolidated	Electrical Utility	Gas Utility	Consolidated	Electrical Utility	Gas Utility
Advances from the Province of Saskatchewan, net of sinking fund installments and applications	$123	$93	$30	$17	$11	$ 6
Saskatchewan Power Corporation Savings Bonds (Note 4)	3	3	–	2	2	–
Other	2	2	–	–	–	–
	$128	$98	$30	$19	$13	$ 6

4. Saskatchewan Power Corporation Savings Bonds

The first series of bonds was issued on July 6, 1984 with a maturity date of July 6, 1987 and bears interest at the rate of 11.5% per annum. The second series of bonds was issued on July 5, 1985, matures July 6, 1988 and bears interest at the rate of 9.5% per annum. The interest rates can be increased at the discretion of the Minister of Finance of the Province of Saskatchewan. The bonds are subject to early redemption semi-annually until maturity at the option of the bondholder. Bonds redeemed January 6, 1986 of $3 million ($2 million January 6, 1985) are classified as long-term debt due within one year. The principal amount of Series I and Series II bonds outstanding as of December 31, 1985 was $57 million and $90 million, respectively.

5. Finance Charges (in Millions)

	1985			1984		
	Consolidated	Electrical Utility	Gas Utility	Consolidated	Electrical Utility	Gas Utility
Gross interest expense	$268	$232	$36	$242	$210	$32
Less amount capitalized	44	43	1	36	35	1
	224	189	35	206	175	31
Amortization of:						
Debt discount and issue expenses	2	2	–	2	2	–
Foreign exchange on debt principal	18	15	3	11	9	2
	20	17	3	13	11	2
	244	206	38	219	186	33
Less:						
Sinking fund earnings	31	24	7	21	16	5
Interest income	16	15	1	7	5	2
	47	39	8	28	21	7
Finance charges, net	$197	$167	$30	$191	$165	$26
Interest Rate Used in Capitalization	11.5%			12.5%		

6. Extraordinary Item

On November 30, 1984, the Corporation sold its Poplar River Mine, including certain coal reserves, facilities and equipment. The gain on sale is included in extraordinary items in 1984. As part of the sale agreement, certain leased mining equipment was transferred to the purchaser and the purchaser assumed the lease with the Corporation contingently liable for the payments.

The Corporation received cash with the balance of proceeds in the form of two 12% promissory notes. One note for $10 million was repaid in 1985 and the other for $89.3 million was renegotiated in 1985 and matures in 2004. It is the intention of management to sell the note in 1986 and, accordingly, the note is classified in current assets. As collateral, the purchaser has assigned a security interest in the mine facilities and other assets to the Corporation.

7. Non-Cash Working Capital Changes (in Millions)

The components of the change in non-cash working capital balances relating to operations are as follows:

	1985			1984		
	Consolidated	Electrical Utility	Gas Utility	Consolidated	Electrical Utility	Gas Utility
Accounts receivable and unbilled revenue	$11	$ –	$11	$ (6)	$ (8)	$ 2
Notes receivable	10	10	–	(99)	(99)	
Inventories	(12)	(10)	(2)	(4)	3	(7)
Accounts payable and accrued liabilities	8	12	(4)	(16)	(15)	(1)
Net change	$17	$12	$ 5	$(125)	$(119)	$ (6)

8. Commitments and Contingencies

(a) At December 31, 1985, the Corporation was committed in the amount of approximately $107 million for construction materials, equipment, services and on contracts not completed at that time. The Corporation had forward commitments of $2 542 million for natural gas and $1 492 million for coal contracted for future minimum deliveries at 1985 prices. The commitments extend to 2005 and 2015, respectively.

(b) In 1979, the Corporation commenced an action in the Saskatchewan Court of Queen's Bench for the recovery of $59 million paid under protest pursuant to a contract entered into in 1969 with TransCanada PipeLines Limited. The trial was held on January 22, 1985. The trial judge dismissed the Corporation's claim and the decision is being appealed to the Saskatchewan Court of Appeal.

(c) In 1983, the Cumberland House Local Community Authority #3 and various local groups and residents commenced legal action against the Corporation and the Province of Saskatchewan claiming $200 million as compensation for damages allegedly suffered due to the construction and operation of the Squaw Rapids Hydroelectric Station. The case is now proceeding and the Corporation is contesting the claim. A reasonable estimate of the amount of the settlement, if any, cannot be determined at this time.

(d) In 1982, the Corporation sold a dragline for $45 million and recorded a gain on the sale. The gain is being amortized over the life of the notes. The purchaser of the dragline financed the transaction by issuing promissory notes due May 18, 2003. The notes were endorsed by the Corporation and the Corporation's liability as endorser is guaranteed by the Province of Saskatchewan. The Corporation holds a chattel mortgage on the dragline as security against its contingent liability.

9. Pensions

The Corporation provides for pension plans for substantially all employees. One of the plans is a money purchase plan and the amount to be paid is determined by The Superannuation (Supplementary Provisions) Act. For the other plan, the contributions are based on actuarial valuations. An actuarial valuation as at September 30, 1985, indicated there is no unfunded liability.

10. Related Party Transactions

Included in these consolidated financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the consolidated statements of financial position and are settled in normal trade terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the consolidated financial statements and the notes thereto.

11. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with the presentation in 1985.

12. Subsequent Event

In February, 1986, PURC reviewed the Corporation's gas rates and the Corporation was ordered to refund $4.3 million to gas customers by May 1, 1986. This amount has been recorded in the accompanying financial statements as of December 31, 1985.

Saskatchewan Power Corporation

Financial and Operating Statistics (unaudited)

Consolidated Statements of Income

For the years ended December 31 (in Millions)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
REVENUE										
Electric sales	$469	$430	$373	$331	$286	$246	$219	$190	$159	$128
Gas sales	368	355	318	301	232	192	173	147	127	100
	837	785	691	632	518	438	392	337	286	228
COSTS AND EXPENSES										
Fuel, water and purchased electricity	102	83	78	68	54	54	40	34	37	23
Gas	231	224	225	195	137	107	99	93	70	47
Operating, maintenance and administration	228	213	199	192	180	147	117	101	89	81
Depreciation and depletion	78	71	62	58	51	42	38	35	30	29
	639	591	564	513	422	350	294	263	226	180
INCOME BEFORE FINANCE CHARGES	198	194	127	119	96	88	98	74	60	48
FINANCE CHARGES	197	191	147	122	96	67	56	53	38	28
INCOME (LOSS) FROM OPERATIONS	1	3	(20)	(3)	–	21	42	21	22	20
EXTRAORDINARY GAINS AND LOSSES	–	7	–	–	–	–	–	–	–	–
NET INCOME (LOSS)	$ 1	$ 10	$ (20)	$ (3)	$ –	$ 21	$ 42	$ 21	$ 22	$ 20

Electric Utility Statements of Income

For the years ended December 31 (in Millions)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
REVENUE	$470	$431	$374	$332	$286	$246	$219	$190	$159	$128
COSTS AND EXPENSES										
Fuel, water and purchased electricity	108	89	85	76	60	60	46	39	45	30
Operating, maintenance and administration	159	149	140	132	128	107	81	70	61	57
Depreciation	58	57	50	46	39	31	28	26	22	21
	325	295	275	254	227	198	155	135	128	108
INCOME BEFORE FINANCE CHARGES	145	136	99	78	59	48	64	55	31	20
FINANCE CHARGES	167	165	128	108	82	52	41	39	26	21
INCOME (LOSS) FROM OPERATIONS	(22)	(29)	(29)	(30)	(23)	(4)	23	16	5	(1)
EXTRAORDINARY GAINS AND LOSSES	–	7	–	–	–	–	–	–	–	–
NET INCOME (LOSS)	$ (22)	$ (22)	$ (29)	$ (30)	$ (23)	$ (4)	$ 23	$ 16	$ 5	$ (1)

Ten Year Operating Summary

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
ELECTRIC OPERATIONS										
Property, plant & equipment in service	$1 955	$1 691	$1 686	$1 415	$1 362	$1 018	$ 960	$ 875	$ 808	$ 689
Construction in progress	366	408	320	323	182	303	228	198	152	126
Property, plant & equipment, gross	2 321	2 099	2 006	1 738	1 544	1 321	1 188	1 073	960	815
Accumulated depreciation	(505)	(456)	(419)	(384)	(347)	(312)	(285)	(262)	(242)	(222)
Property, plant & equipment, net	$1 816	$1 643	$1 587	$1 354	$1 197	$1 009	$ 903	$ 811	$ 718	$ 593
Growth over prior year(%)	10.53	3.53	17.21	13.12	18.63	11.74	11.34	12.95	21.08	16.96
Capital expenditures ($)	232	227	294	231	226	137	120	120	147	91
Sales (millions of kilowatt hours)	10 172	9 861	9 096	8 468	8 486	8 164	7 881	7 329	6 961	6 347
Growth in retail sales over prior year (%)	3.15	8.41	7.42	– 0.21	3.94	3.59	7.53	5.29	9.67	3.62
Average usage per farm customer (kW·h)	19 834	18 983	18 566	18 474	15 875	16 138	16 440	15 487	14 333	13 616
Average usage per residential customer (kW·h)	7 642	7 558	7 377	7 335	6 711	6 794	6 902	6 753	6 335	6 074
Average urban residential monthly billing ($)	34	30	25	24	21	19	18	17	15	13
Seasonal gross system peak load (thousands of kilowatts)	2 198	2 206	2 120	1 886	1 925	1 858	1 724	1 680	1 585	1 432
Generating capacity (thousands of kilowatts)										
Hydro	655	569	565	565	565	467	467	467	467	467
Steam	1 764	1 764	1 759	1 573	1 573	1 573	1 350	1 350	1 350	1 057
Gas Turbine	136	136	115	115	115	115	115	115	164	173
Total	2 555	2 469	2 439	2 253	2 253	2 155	1 932	1 932	1 981	1 697
Customers at year end	390 460	385 867	380 451	370 406	365 350	357 249	347 997	337 872	327 323	315 635
Power lines (kilometres)	136 374	135 905	134 938	134 341	133 702	132 836	131 720	130 737	129 797	128 489
Finance charges as a percent of revenue (%)	35.53	38.43	34.05	32.53	28.67	20.82	18.72	20.53	16.35	16.41

Natural Gas Utility Statements of Income

For the years ended December 31 (in Millions)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
REVENUE	**$382**	$372	$335	$323	$245	$205	$186	$159	$145	$112
COSTS AND EXPENSES										
Gas	**240**	236	236	210	145	114	106	100	80	52
Operating, maintenance and administration	**69**	64	59	60	51	40	36	31	28	24
Depreciation	**20**	14	12	12	12	11	10	9	8	8
	329	314	307	282	208	165	152	140	116	84
INCOME BEFORE FINANCE CHARGES	**53**	58	28	41	37	40	34	19	29	28
FINANCE CHARGES	**30**	26	19	14	14	15	15	14	12	7
NET INCOME	**$ 23**	$ 32	$ 9	$ 27	$ 23	$ 25	$ 19	$ 5	$ 17	$ 21

Ten Year Operating Summary

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
NATURAL GAS OPERATIONS										
Property, plant & equipment in service	**$ 684**	$ 611	$ 532	$ 469	$ 428	$ 412	$ 390	$ 372	$ 349	$ 306
Construction in progress	**7**	9	9	6	8	3	2	0	5	28
Property, plant & equipment, gross	**691**	620	541	475	436	415	392	372	354	334
Accumulated depreciation	**(206)**	(188)	(175)	(160)	(148)	(136)	(126)	(116)	(108)	(100)
Property, plant & equipment, net	**$ 485**	$ 432	$ 366	$ 315	$ 288	$ 279	$ 266	$ 256	$ 246	$ 234
Growth over prior year (%)	**12.27**	18.03	16.19	9.38	3.23	4.89	3.91	4.07	5.13	14.71
Capital expenditures ($)	**76**	79	54	41	22	23	21	19	20	54
Sales (10^6 m^3)	**3 072**	3 020	2 823	3 012	2 814	3 029	3 127	3 040	3 057	2 925
Growth over prior year (%)	**1.72**	6.98	−6.27	7.04	−7.10	−3.13	2.86	−0.56	4.51	1.14
Average annual use per residential customer (m^3)	**4 006**	3 954	3 741	4 405	3 707	4 032	4 641	4 584	4 264	4 461
Average monthly billing per residential customer ($)	**49**	45	42	44	31	28	27	26	19	15
Maximum daily consumption (10^3 m^3)	**19 103**	17 385	20 000	18 550	17 046	17 515	17 588	16 801	17 931	16 578
Degree days deficiency - Regina	**6 018**	5 550	5 732	6 294	4 988	5 526	6 165	6 038	5 485	5 477
Customers at year end	**263 059**	253 438	244 441	233 700	227 127	221 378	215 684	208 761	201 892	193 229
Pipelines (kilometres)	**38 505**	29 358	21 286	15 414	14 821	14 606	14 409	14 244	14 069	13 715
Finance charges as a percent of revenue (%)	**7.85**	6.99	5.67	4.33	5.71	7.32	8.06	8.81	7.64	6.25

Consolidated Statements of Changes in Cash Position

For the years ended December 31 (In Millions)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
CASH PROVIDED BY (USED IN) OPERATIONS										
Income from operations before finance charges	$198	$194	$127	$119	$ 96	$ 88	$ 98	$ 74	$ 60	$ 48
Interest income	16	7	7	2	–	2	6	5	5	–
Add charges to operations not requiring an outlay of cash:										
Depreciation and depletion	78	71	62	58	51	42	38	35	30	29
Other	(6)	7	(19)	(4)	(19)	(8)	(8)	(2)	(3)	(3)
	286	279	177	175	128	124	134	112	92	74
Net change in non-cash working capital	17	(125)	23	5	13	(21)	5	(4)	(1)	4
CASH FROM OPERATIONS AVAILABLE FOR DEBT SERVICING AND CAPITAL EXPENDITURES	303	154	200	180	141	103	139	108	91	78
CASH USED FOR DEBT SERVICING										
Gross interest payments	268	242	205	165	127	95	89	78	64	45
Principal repayments	6	21	29	9	61	2	6	3	9	4
Sinking fund installments	13	16	15	15	16	16	16	15	16	15
Dividends paid to Province	–	–	–	–	–	10	17	10	8	10
Cash used for debt servicing	287	279	249	189	204	123	128	106	97	74
NET CASH AVAILABLE (DEFICIENCY) FOR CAPITAL EXPENDITURES	16	(125)	(49)	(9)	(63)	(20)	11	2	(6)	4
CASH USED FOR CAPITAL EXPENDITURES										
Additions to property, plant and equipment	303	307	349	273	248	160	141	139	168	146
Less interest capitalized	(44)	(36)	(32)	(26)	(18)	(20)	(17)	(16)	(14)	(8)
Cash used for capital expenditures	259	271	317	247	230	140	124	123	154	138
NET CASH DEFICIENCY BEFORE FINANCING	(243)	(396)	(366)	(256)	(293)	(160)	(113)	(121)	(160)	(134)
CASH FROM FINANCING AND OTHER SOURCES										
Long-term debt	209	77	352	356	253	49	62	128	170	200
Saskatchewan Power Corporation Savings Bonds	90	60	–	–	–	–	–	–	–	–
Contributions in aid of construction	28	19	13	13	13	9	7	7	7	6
Proceeds on disposal of property, plant and equipment	–	125	–	45	–	–	32	–	–	–
Cash provided by financing and other sources	327	281	365	414	266	58	101	135	177	206
INCREASE (DECREASE) IN CASH	84	(115)	(1)	158	(27)	(102)	(12)	14	17	72
CASH POSITION (INDEBTEDNESS), beginning of year	(66)	49	50	(108)	(81)	21	33	19	2	(70)
CASH POSITION (INDEBTEDNESS), end of year	$ 18	$ (66)	$ 49	$ 50	$(108)	$ (81)	$ 21	$ 33	$ 19	$ 2

Statements of Changes in Cash Position — Electric Utility

For the years ended December 31 (In Millions)

	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
CASH PROVIDED BY (USED IN) OPERATIONS										
Income from operations before finance charges	$145	$136	$ 99	$ 78	$ 59	$ 48	$ 64	$ 55	$ 31	$ 20
Interest income	15	5	6	1	–	–	5	5	4	–
Add charges to operations not requiring an outlay of cash:										
Depreciation and depletion	58	57	50	46	39	31	28	26	22	21
Other	–	3	(11)	(3)	(2)	(3)	–	(1)	(2)	(2)
	218	201	144	122	96	76	97	85	55	39
Net change in non-cash working capital	12	(119)	28	11	15	(21)	7	(1)	11	1
CASH FROM OPERATIONS AVAILABLE FOR DEBT SERVICING AND CAPITAL EXPENDITURES	230	82	172	133	111	55	104	84	66	40
CASH USED FOR DEBT SERVICING										
Gross interest payments	232	210	179	146	110	76	70	62	49	34
Principal repayments	4	16	22	7	46	2	4	2	7	3
Sinking fund installments	10	12	11	11	12	12	12	11	12	11
Dividends paid to Province	–	–	–	–	–	–	11	8	2	–
Cash used for debt servicing	246	238	212	164	168	90	97	83	70	48
NET CASH AVAILABLE (DEFICIENCY) FOR CAPITAL EXPENDITURES	(16)	(156)	(40)	(31)	(57)	(35)	7	1	(4)	(8)
CASH USED FOR CAPITAL EXPENDITURES										
Additions to property, plant and equipment	231	232	290	232	226	138	138	139	163	120
Less interest capitalized	(43)	(35)	(31)	(25)	(18)	(20)	(17)	(16)	(13)	(6)
Cash used for capital expenditures	188	197	259	207	208	118	121	123	150	114
NET CASH DEFICIENCY BEFORE FINANCING	(204)	(353)	(299)	(238)	(265)	(153)	(114)	(122)	(154)	(122)
CASH FROM FINANCING AND OTHER SOURCES										
Long-term debt	176	65	283	333	232	49	62	128	163	166
Saskatchewan Power Corporation Savings Bonds	75	51	–	–	–	–	–	–	–	–
Contributions in aid of construction	7	11	10	9	11	9	7	6	6	6
Proceeds on disposal	–	125	–	45	–	–	32	–	–	–
Cash provided by financing and other sources	258	252	293	387	243	58	101	134	169	172
INCREASE (DECREASE) IN CASH	54	(101)	(6)	149	(22)	(95)	(13)	12	15	50
CASH POSITION (INDEBTEDNESS), beginning of year	(60)	41	47	(102)	(80)	15	28	16	1	(49)
CASH POSITION (INDEBTEDNESS), end of year	$ (6)	$ (60)	$ 41	$ 47	$(102)	$ (80)	$ 15	$ 28	$ 16	$ 1

Statements of Changes in Cash Position — Gas Utility

For the years ended December 31 (In Millions)

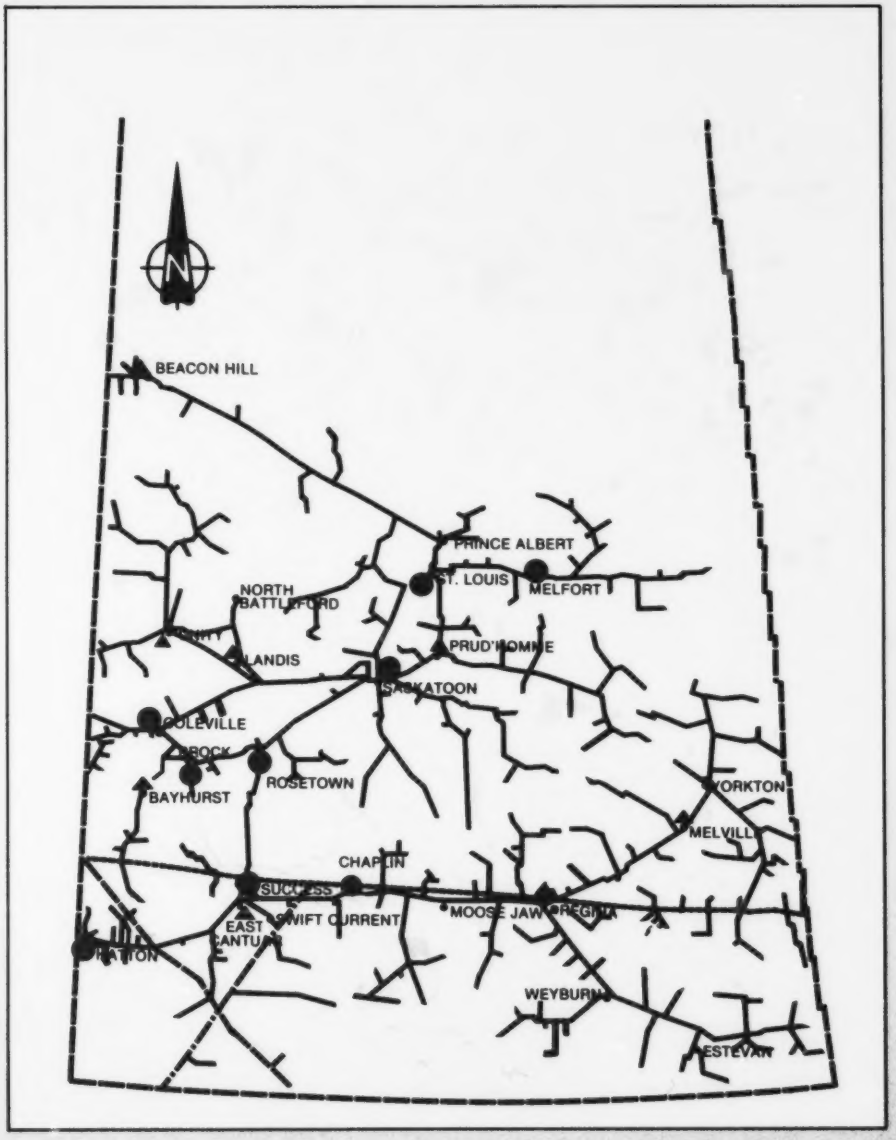
	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
CASH PROVIDED BY (USED IN) OPERATIONS										
Income from operations before finance charges	$ 53	$ 58	$ 28	$ 41	$ 37	$ 40	$ 34	$ 19	$ 29	$ 28
Interest income	1	2	1	1	–	2	1	–	1	–
Add charges to operations not requiring an outlay of cash:										
Depreciation and depletion	20	14	12	12	12	11	10	9	8	8
Other	(6)	4	(8)	(1)	(17)	(5)	(8)	(1)	(1)	(1)
	68	78	33	53	32	48	37	27	37	35
Net change in non-cash working capital	5	(6)	(5)	(6)	(2)	–	(2)	(3)	(12)	3
CASH FROM OPERATIONS AVAILABLE FOR DEBT SERVICING AND CAPITAL EXPENDITURES	73	72	28	47	30	48	35	24	25	38
CASH USED FOR DEBT SERVICING										
Gross interest payments	36	32	26	19	17	19	19	16	15	11
Principal repayments	2	5	7	2	15	–	2	1	2	1
Sinking fund installments	3	4	4	4	4	4	4	4	4	4
Dividends paid to Province	–	–	–	–	–	10	6	2	6	10
Cash used for debt servicing	41	41	37	25	36	33	31	23	27	26
NET CASH AVAILABLE (DEFICIENCY) FOR CAPITAL EXPENDITURES	32	31	(9)	22	(6)	15	4	1	(2)	12
CASH USED FOR CAPITAL EXPENDITURES										
Additions to property, plant and equipment	72	75	59	41	22	22	3	–	5	26
Less interest capitalized	(1)	(1)	(1)	(1)	–	–	–	–	(1)	(2)
Cash used for capital expenditures	71	74	58	40	22	22	3	–	4	24
NET CASH DEFICIENCY BEFORE FINANCING	(39)	(43)	(67)	(18)	(28)	(7)	1	1	(6)	(12)
CASH FROM FINANCING AND OTHER SOURCES										
Long-term debt	33	12	69	23	21	–	–	–	7	34
Saskatchewan Power Corporation Savings Bonds	15	9	–	–	–	–	–	–	–	–
Contributions in aid of construction	21	8	3	4	2	–	–	1	1	–
Cash provided by financing and other sources	69	29	72	27	23	–	–	1	8	34
INCREASE (DECREASE) IN CASH	30	(14)	5	9	(5)	(7)	1	2	2	22
CASH POSITION (INDEBTEDNESS), beginning of year	(6)	8	3	(6)	(1)	6	5	3	1	(21)
CASH POSITION (INDEBTEDNESS), end of year	$ 24	$ (6)	$ 8	$ 3	$ (6)	$ (1)	$ 6	$ 5	$ 3	$ 1

Walter Wittal, gas maintenance foreman, preparing to fill odorant tank from bulk storage at a SaskPower town border station.

Energy Systems in Saskatchewan

Electricity

1 Poplar River Power Station
2 Basin Electric Tie-line
3 Boundary Dam Power Station
4 Estevan Power Station
5 Manitoba Hydro Tie-lines
6 Success Power Station
7 Coteau Creek Hydroelectric Power Station
8 Queen Elizabeth Power Station
9 Landis Power Station
10 Nipawin Hydroelectric Power Station (under construction)
11 Squaw Rapids Hydroelectric Power Station
12 Island Falls Hydroelectric Power Station
13 Meadow Lake Power Station
— Transmission Lines



Natural Gas

- Compressor Station
- Compressor Station and Storage Facility
- High Pressure Transmission Lines
- TransCanada PipeLines Limited
- Consolidated Pipeline Co.
- Foothills Pipeline Ltd.

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Glenn R. Thorpe

F.A. (Dan) Meyers

[illegible], E. Ross Gilde, Patricia Y. Olynik, [illegible].

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General Counsel and Secretary